

**Senate Bill No. 123**

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Passed the Senate August 29, 2016

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*Secretary of the Senate*

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Passed the Assembly August 23, 2016

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*Chief Clerk of the Assembly*

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This bill was received by the Governor this \_\_\_\_\_ day  
of \_\_\_\_\_, 2016, at \_\_\_\_\_ o'clock \_\_\_\_M.

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*Private Secretary of the Governor*

## CHAPTER \_\_\_\_\_

An act to amend Section 14115.8 of, to amend, repeal, and add Section 14132.47 of, and to add Sections 14005.272, 14005.273, 14005.274, 14132.471, and 14132.472 to, the Welfare and Institutions Code, relating to Medi-Cal.

## LEGISLATIVE COUNSEL'S DIGEST

SB 123, Liu. Medi-Cal: school-based administrative activities.

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 by, and funded pursuant to, federal Medicaid program provisions. Existing law establishes an administrative claiming process under which the department is authorized to contract with local governmental agencies and local educational consortia for the purpose of obtaining federal matching funds to assist with the performance of administrative activities relating to the Medi-Cal program. Existing law defines a local educational agency for these purposes as a local educational agency that participates under the process as a subcontractor to the local educational consortium in its service region.

Existing law provides that specified services provided by local educational agencies (LEAs) are covered Medi-Cal benefits and requires the department to perform various activities with respect to the billing option for services provided by LEAs, including amendment of the Medicaid state plan to ensure that schools shall be reimbursed for all eligible services they provide. Existing law requires the department to file an annual report with the Legislature that provides information related to these activities, as specified. Existing law requires the department to regularly consult with the State Department of Education, school district representatives, county offices of education, the local educational consortium, and local educational agencies to assist in formulating those state plan amendments. Existing law funds these activities by requiring the department to proportionately reduce federal Medicaid payments allocable to LEAs, collect the reductions, and deposit them into

the Local Educational Agency Medi-Cal Recovery Fund, as specified.

This bill would additionally require the department to contract directly with an LEA, if the LEA chooses and the department has developed a process governing direct contracting, to perform school-based administrative activities necessary for the proper and efficient administration of the Medi-Cal program, as specified. The bill would designate the contracting between the department and participating local educational agencies, local educational consortia, and local governmental agencies to perform those school-based administrative activities as the School-Based Administrative Claiming process program. The bill would authorize the department to administer or oversee the administration of a single statewide random moment time survey, or a reduction in the number of quarterly random moment time surveys conducted in the state, for the purposes of the program. The bill would make related legislative findings and declarations.

This bill would require the department to prepare and post on its Internet Web site an annual report of the costs of administering the School-Based Administrative Claiming process program and the LEA billing option and list local educational agency participation in each. The bill would also require the department to include in that report the annual report related to the LEA billing option.

This bill would require the department to enter into an interagency agreement or memorandum of understanding (MOU) with the State Department of Education to coordinate the efforts of both departments with respect to the LEA billing option and the School-Based Administrative Claiming process program. The bill would require the department to develop an appeals process, as specified, to contest an action of the department.

This bill would require the department and the State Department of Education to establish and jointly administer a School-Based Health Program and Policy Workgroup, as specified, in order to assist the department in formulating state plan amendments required to implement the LEA billing option described above and for the purpose of advising the department on issues related to the delivery of school-based Medi-Cal services to students in the state, as specified. The bill would require the department to consult with the advisory group in connection with developing the interagency

agreement or MOU described above. The bill would authorize the department and the State Department of Education to use moneys collected by the department to fund the LEA Medi-Cal billing option program activities and amounts withheld from LEAs by agreement with the department to meet the requirements of the interagency agreement or MOU described above and to fund staffing requirements for the workgroup.

*The people of the State of California do enact as follows:*

SECTION 1. (a) The Legislature finds and declares all of the following:

(1) Effective cross-agency collaboration is vital to deliver high-quality school-based health services to California students.

(2) The United States Department of Education and the United States Department of Health and Human Services, in a key January 2016 policy letter, recognize the critical role that health care coverage and health services play in ensuring all students are ready and able to learn, and recommend action steps to better coordinate health and education services to build strong and sustainable partnerships and commitments between health and education agencies at the local, state, and federal levels.

(3) The student success strategic priority in State Superintendent of Public Instruction Tom Torlakson's 2015 Blueprint 2.0 includes Section 3.13, which prioritizes the development of infrastructure at the State Department of Education to improve cross-agency collaboration in support of student health.

(4) In Report 2014-130 issued on August 20, 2015, the State Auditor recommended that the State Department of Health Care Services institute significant structural changes to school-based Medi-Cal programs in order to improve administration and oversight, increase federal funding, and cut costs.

(5) Building an effective, transparent infrastructure and accountability system to fully utilize all available federal Medicaid funds is a critical component of developing the capacity to deliver school-based health and mental health programs.

(6) These vital programs must be operated at a level that meets the benchmark of national best practices in order to meet the needs of California's most vulnerable children.

(b) It is the intent of the Legislature to ensure effective coordination between health and education agencies at the state, county, and local levels to address the achievement gap in our schools and health and education equity issues in California.

SEC. 2. Section 14005.272 is added to the Welfare and Institutions Code, to read:

14005.272. (a) The department and the State Department of Education shall, no later than July 1, 2017, establish and jointly administer a School-Based Health Program and Policy Workgroup for the purpose of advising on issues related to the delivery of school-based Medi-Cal services to students in the state. The director of the department or his or her designee shall be designated as the chair and the Superintendent of Public Instruction or his or her designee shall be designated as the vice chair of the workgroup. The workgroup shall develop recommendations for an interagency agreement between the department and the State Department of Education pursuant to Section 14132.472, and assist the department in formulating the state plan amendments required by subdivisions (a) and (b) of Section 14115.8. The scope of the workgroup shall include, but not be limited to, improving the operation of and participation in the following school-based health programs:

(1) The School-Based Administrative Claiming process program described in Section 14132.471.

(2) The local educational agency (LEA) Medi-Cal billing option described in Section 14132.06.

(b) The workgroup shall be representative of the diversity of California LEAs with respect to size, type, and geographic diversity and shall include representatives from county offices of education, urban, suburban, and rural LEAs, and LECs and LGAs described in Section 14132.471 and from Region IX of the federal Centers for Medicare and Medicaid Services. The workgroup shall also include representatives of the LEA Ad Hoc Workgroup described in Section 14132.06 and members with expertise in the school-based health and mental health programs.

(c) The workgroup shall, no later than January 1, 2018, provide input to the department and the State Department of Education on the development and continuing operations of the interagency agreement or memorandum of understanding described in Section 14132.472. The recommendations of the workgroup shall identify opportunities for effective coordination between the state's health

and education systems at the state, regional, and local level, identify ways the department can maximize its school-based Medicaid program expertise, recommend an appeals process for the School-Based Administrative Claiming process program and the LEA billing option, and identify necessary legislation or state plan amendments to support its recommendations.

(d) (1) The workgroup shall, on a regular basis, provide input to the department and the State Department of Education on the degree to which the process and implementation of the School-Based Administrative Claiming process program described in Section 14132.471 and the LEA Medi-Cal billing option program described in Section 14132.06 are meeting the needs of LEAs with respect to cost-effectiveness, program structure, and operational effectiveness, including the process of appeals and balancing withheld funds and actual expenses.

(2) The workgroup shall advise the department and the State Department of Education on creating consistency across local educational consortia (LECs), local governmental agencies (LGAs), and the department with respect to contracts and processes for the School-Based Administrative Claiming process program described in Section 14132.471.

(3) The workgroup shall make recommendations that include, but are not limited to, determining the opportunities for and the benefits, costs, and feasibility of the following:

(A) Increasing LEA participation and maximizing allowable federal financial participation in the School-Based Administrative Claiming process program and the LEA Medi-Cal billing option program.

(B) Increasing contracting options for LEAs participating in the School-Based Administrative Claiming process program, such as allowing an LEA to contract with an LEC or LGA outside of the LEA's region.

(C) Reducing the number of quarterly random moment time surveys.

(D) Identifying areas that may require a state plan amendment.

(E) Integrating and expanding other school-based health and mental health programs with the School-Based Administrative Claiming process program and the LEA Medi-Cal billing option program, including, but not limited to, those being implemented

in accordance with the LEA's local control and accountability plan described in Section 52060 of the Education Code.

(F) Improving and streamlining the annual school-based Medi-Cal report described in Section 14005.273.

(e) The workgroup may form technical advisory subcommittees as necessary that shall report back to the workgroup on the development of plans and timelines to implement the changes and expanded options described in this section.

(f) The department shall make available to the workgroup staff any information on other school-based dental, health, and mental health programs, including, but not limited to, the mental health programs described in Section 14700 and school-based health centers that may receive Medi-Cal funding.

SEC. 3. Section 14005.273 is added to the Welfare and Institutions Code, to read:

14005.273. Commencing with the 2017–18 state fiscal year, and annually for each year thereafter, the department shall publish the following information in a single annual school-based Medi-Cal report on a section of its Internet Web site:

(a) The costs to the state of operating the School-Based Administrative Claiming process program described in Section 14132.471 and any related fees passed on to local educational agencies (LEAs).

(b) A list of all participating LEAs.

(c) The costs and fees being charged to LEAs as reported to the department by local educational consortia and local governmental agencies.

(d) Comparisons of costs with other states, summary of department activities, workgroup recommendations for program improvement, identifications of barriers to reimbursement and actions taken to eliminate barriers, and other information in the format required for the LEA Medi-Cal billing option program report described in Section 14115.8.

(e) The costs of operating the LEA Medi-Cal billing option program described in Section 14132.06. The report shall also list each local educational agency participating in the LEA Medi-Cal billing option program.

SEC. 4. Section 14005.274 is added to the Welfare and Institutions Code, to read:

14005.274. (a) The department shall develop a process by which a local educational agency may appeal an action of the department with respect to the School-Based Administrative Claiming process program described in Section 14132.471 and the LEA billing option described in Section 14115.8. The appeals process shall use the Office of Administrative Hearings and Appeals pursuant to Section 14171 or another neutral third party acceptable to the department as the appeals authority and shall require the local educational agency to pay for the cost of the appeal.

(b) In developing the appeals process described in subdivision (a), the department shall take into account the recommendations of the workgroup described in Section 14005.272.

SEC. 5. Section 14115.8 of the Welfare and Institutions Code is amended to read:

14115.8. (a) (1) The department shall amend the Medicaid state plan with respect to the billing option for services by local educational agencies (LEAs), to ensure that schools shall be reimbursed for all eligible services that they provide that are not precluded by federal requirements.

(2) The department shall examine methodologies for increasing school participation in the Medi-Cal billing option for LEAs so that schools can meet the health care needs of their students.

(3) The department, to the extent possible, shall simplify claiming processes for LEA billing.

(4) The department shall eliminate and modify state plan and regulatory requirements that exceed federal requirements when they are unnecessary.

(b) If a rate study for the LEA Medi-Cal billing option is completed pursuant to Section 52 of Chapter 171 of the Statutes of 2001, the department, in consultation with the entities named in subdivision (d) of Section 14005.272, shall implement the recommendations from the study, to the extent feasible and appropriate.

(c) Notwithstanding any other law, or any other contrary state requirement, the department shall take whatever action is necessary to ensure that, to the extent there is capacity in its certified match, an LEA shall be reimbursed retroactively for the maximum period allowed by the federal government for any department change that



results in an increase in reimbursement to local educational agency providers.

(d) The department may undertake all necessary activities to recoup matching funds from the federal government for reimbursable services that have already been provided in the state's public schools. The department shall prepare and take whatever action is necessary to implement all regulations, policies, state plan amendments, and other requirements necessary to achieve this purpose.

(e) The department shall file an annual report with the Legislature that shall be included in the annual report referenced in Section 14005.273 and that shall include at least all of the following:

(1) A copy of the annual comparison required by subdivision (h).

(2) A state-by-state comparison of school-based Medicaid total and per eligible child claims and federal revenues. The comparison shall include a review of the most recent two years for which completed data is available.

(3) A summary of department activities and an explanation of how each activity contributed toward narrowing the gap between California's per eligible student federal fund recovery and the per student recovery of the top three states.

(4) A listing of all school-based services, activities, and providers approved for reimbursement by the federal Centers for Medicare and Medicaid Services in other state plans that are not yet approved for reimbursement in California's state plan and the service unit rates approved for reimbursement.

(5) The official recommendations made to the department by the entities named in subdivision (c) and the action taken by the department regarding each recommendation.

(6) A one-year timetable for state plan amendments and other actions necessary to obtain reimbursement for those items listed in paragraph (4).

(7) Identification of any barriers to local educational agency reimbursement, including those specified by the entities named in subdivision (d) of Section 14005.272, that are not imposed by federal requirements, and a description of the actions that have been, and will be, taken to eliminate them.

(f) (1) These activities shall be funded and staffed by proportionately reducing federal Medicaid payments allocable to LEAs for the provision of benefits funded by the federal Medicaid program under the billing option for services by LEAs specified in this section. Moneys collected as a result of the reduction in federal Medicaid payments allocable to LEAs shall be deposited into the Local Educational Agency Medi-Cal Recovery Fund, which is hereby established in the Special Deposit Fund established pursuant to Section 16370 of the Government Code. These funds shall be used, upon appropriation by the Legislature, only to support the department to meet all the requirements of this section. If at any time this section is repealed, it is the intent of the Legislature that all funds in the Local Educational Agency Medi-Cal Recovery Fund be returned proportionally to all LEAs whose federal Medicaid funds were used to create this fund. The annual amount funded pursuant to this paragraph shall not exceed one million five hundred thousand dollars (\$1,500,000).

(2) Moneys collected under paragraph (1) shall be proportionately reduced from federal Medicaid payments to all participating LEAs so that no one LEA loses a disproportionate share of its federal Medicaid payments.

(3) Moneys collected under paragraph (1) and withheld amounts agreed to by LEAs as a part of an LEA Medi-Cal billing option program provider participation agreement administered by the department may be used by the department and the State Department of Education to meet the requirements of the interagency agreement or memorandum of understanding referenced in Section 14132.472 and the staffing needed to jointly administer and chair the workgroup described in Section 14005.272.

(g) (1) The department may enter into a sole source contract to comply with the requirements of this section.

(2) The level of additional staff to comply with the requirements of this section, including, but not limited to, staff for which the department has contracted for pursuant to paragraph (1), shall be limited to that level that can be funded with revenues derived pursuant to subdivision (f).

(h) The activities of the department shall include all of the following:

(1) An annual comparison of the school-based Medicaid systems in comparable states.

(2) Efforts to improve communications with the federal government, the State Department of Education, and local educational agencies.

(3) The development and updating of written guidelines to local educational agencies regarding best practices to avoid audit exceptions, as needed.

(4) The establishment and maintenance of a local educational agency user-friendly, interactive Internet Web site.

(5) Collaboration with the State Department of Education to help ensure LEA compliance with state and federal Medicaid requirements and to help improve LEA participation in the Medi-Cal billing option for LEAs.

SEC. 6. Section 14132.47 of the Welfare and Institutions Code is amended to read:

14132.47. (a) It is the intent of the Legislature to provide local governmental agencies the choice of participating in either or both of the Targeted Case Management (TCM) and Administrative Claiming process programs at their option, subject to the requirements of this section and Section 14132.44.

(b) The department may contract with each participating local governmental agency or each local educational consortium to assist with the performance of administrative activities necessary for the proper and efficient administration of the Medi-Cal program, pursuant to Section 1903a of the federal Social Security Act (42 U.S.C. Sec. 1396b(a)), and this activity shall be known as the Administrative Claiming process.

(c) (1) Subject to the requirements of paragraph (2) of subdivision (f), as a condition for participation in the Administrative Claiming process, each participating local governmental agency or each local educational consortium shall, for the purpose of claiming federal Medicaid reimbursement, enter into a contract with the department and shall certify to the department the total amount the local governmental agency or each local educational consortium expended on the allowable administrative activities.

(2) The department shall deny the claim if it determines that the certification is not adequately supported, or does not otherwise

comply with federal requirements, for purposes of claiming federal financial participation.

(d) Each participating local governmental agency or local educational consortium may subcontract with private or public entities to assist with the performance of administrative activities necessary for the proper and efficient administration of the Medi-Cal program under the conditions specified by the department in regulations.

(e) Each Administrative Claiming process contract shall include a requirement that each participating local governmental agency or each local educational consortium submit a claiming plan in a manner that shall be prescribed by the department in regulations, developed in consultation with local governmental agencies.

(f) (1) The department shall require that each participating local governmental agency or each local educational consortium certify to the department both of the following:

(A) The expenditure of 100 percent of the cost of performing Administrative Claiming process activities. The funds expended for this purpose shall be from the local governmental agency's general fund or the general funds of local educational agencies or from any other funds allowed under federal law and regulations.

(B) In each fiscal year that its expenditures represent costs that are eligible for federal financial participation for that fiscal year. The department shall deny the claim if it determines that the certification is not adequately supported for purposes of federal financial participation.

(2) (A) (i) A city that is not a participating local governmental agency, or any other local public entity, that contracts with a local governmental agency pursuant to subdivision (d) and that is located within a county that is a participating local governmental agency pursuant to this section, may submit certification to the local governmental agency of amounts expended for Administrative Claiming services in accordance with Section 433.51 of Title 42 of the Code of Federal Regulations.

(ii) A city or other local public entity that submits certification pursuant to this paragraph shall comply with the requirements of paragraph (1), with other requirements applicable to local governmental agencies that the department determines, in regulations, to be applicable, and with all applicable federal requirements.

(iii) The local governmental agency shall forward the city's or local public entity's certification to the department for the purposes of claiming federal financial participation.

(iv) As applicable, the local governmental agency shall obtain and retain appropriate certifications from the expending city or local public entity, together with documentation of the underlying expenditures, as required by the department.

(B) A tribe or tribal organization, as defined in subdivision (n), that is not participating in Administrative Claiming process activities as a local governmental agency, may contract with, and submit to a tribe or tribal organization that is contracting with, the department pursuant to subdivision (b) amounts expended for Administrative Claiming process activities that it is certifying in accordance with Section 433.51 of Title 42 of the Code of Federal Regulations and other applicable federal law and regulations. The tribe or tribal organization receiving the certification shall forward it to the department for purposes of claiming federal financial participation. The certification shall comply with all of the requirements for certification set forth in subparagraph (A).

(g) (1) Notwithstanding any other provision of this section, the state shall be held harmless, in accordance with paragraphs (2) and (3), from any federal audit disallowance and interest resulting from payments made to a participating local governmental agency or local educational consortium pursuant to this section, for the disallowed claim.

(2) To the extent that a federal audit disallowance and interest results from a claim or claims for which any participating local governmental agency or local educational consortium has received reimbursement for Administrative Claiming process activities, the department shall recoup from the local governmental agency or local educational consortium that submitted the disallowed claim, through offsets or by a direct billing, amounts equal to the amount of the disallowance and interest, in that fiscal year, for the disallowed claim. All subsequent claims submitted to the department applicable to any previously disallowed administrative activity or claim, may be held in abeyance, with no payment made, until the federal disallowance issue is resolved.

(3) Notwithstanding paragraph (2), to the extent that a federal audit disallowance and interest results from a claim or claims for which the participating local governmental agency or local

educational consortium has received reimbursement for Administrative Claiming process activities performed by an entity under contract with, and on behalf of, the participating local governmental agency or local educational consortium, the department shall be held harmless by that particular participating local governmental agency or local educational consortium for 100 percent of the amount of the federal audit disallowance and interest, for the disallowed claim.

(h) The use of local funds required by this section shall not create, lead to, or expand the health care funding obligations or service obligations for current or future years for any participating local governmental agency or local educational consortium, except as required by this section or as may be required by federal law.

(i) The department shall deny any claim from a participating local governmental agency or local educational consortium if the department determines that the claim is not adequately supported in accordance with criteria established pursuant to this subdivision and implementing regulations before it forwards the claim for reimbursement to the federal Medicaid program. In consultation with local governmental agencies and local educational consortia, the department shall adopt regulations that prescribe the requirements for the submission and payment of claims for administrative activities performed by each participating local governmental agency and local educational consortium.

(j) Administrative activities shall be those determined by the department to be necessary for the proper and efficient administration of the state's Medicaid plan and shall be defined in regulation.

(k) If the department denies any claim submitted under this section, the affected participating local governmental agency or local educational consortium may, within 30 days after receipt of written notice of the denial, request that the department reconsider its action. The participating local governmental agency or local educational consortium may request a meeting with the director or his or her designee within 30 days to present its concerns to the department after the request is filed. If the director or his or her designee cannot meet, the department shall respond in writing indicating the specific reasons for which the claim is out of compliance to the participating local governmental agency or local

educational consortium in response to its appeal. Thereafter, the decision of the director shall be final.

(l) To the extent consistent with federal law and regulations, participating local governmental agencies or local educational consortium may claim the actual costs of nonemergency, nonmedical transportation of Medi-Cal eligibles to Medi-Cal covered services, under guidelines established by the department, to the extent that these costs are actually borne by the participating local governmental agency or local educational consortium. A local educational consortium may only claim for nonemergency, nonmedical transportation of Medi-Cal eligibles for Medi-Cal covered services, through the Medi-Cal administrative activities program. Medi-Cal medical transportation services shall be claimed under the local educational agency Medi-Cal billing option, pursuant to Section 14132.06.

(m) As a condition of participation in the Administrative Claiming process and in recognition of revenue generated to each participating local governmental agency and each local educational consortium in the Administrative Claiming process, each participating local governmental agency and each local educational consortium shall pay an annual participation fee through a mechanism agreed to by the state and local governmental agencies and local educational consortia, or, if no agreement is reached by August 1 of each year, directly to the state. The participation fee shall be used to cover the cost of administering the Administrative Claiming process, including, but not limited to, claims processing, technical assistance, and monitoring. The department shall determine and report staffing requirements upon which projected costs will be based. The amount of the participation fee shall be based upon the anticipated salaries, benefits, and operating expenses, to administer the Administrative Claiming process and other costs related to that process.

(n) (1) For the purposes of this section, “participating local governmental agency” means a county, chartered city, Native American Indian tribe, tribal organization, or subgroup of a Native American Indian tribe or tribal organization, under contract with the department pursuant to subdivision (b).

(2) Each participating Native American Indian tribe, tribal organization, or subgroup of a Native American Indian tribe or tribal organization may claim, as a Medi-Cal Administrative

Activity, facilitating Medi-Cal applications, which includes, but is not limited to, using the California Healthcare Eligibility, Enrollment, and Retention System.

(o) For purposes of this section, “local educational agency” means a local educational agency, as defined in subdivision (h) of Section 14132.06, that participates under the Administrative Claiming process as a subcontractor to the local educational consortium in its service region.

(p) (1) For purposes of this section, “local educational consortium” means a local agency that is one of the service regions of the California County Superintendent Educational Services Association.

(2) Each local educational consortium shall contract with the department pursuant to paragraph (1) of subdivision (c).

(q) (1) Each participating local educational consortium shall be responsible for the local educational agencies in its service region that participate in the Administrative Claiming process. This responsibility includes, but is not limited to, the preparation and submission of all administrative claiming plans, training of local educational agency staff, overseeing the local educational agency time survey process, and the submission of detailed quarterly invoices on behalf of any participating local educational agency.

(2) Each participating local educational consortium shall ensure local educational agency compliance with all requirements of the Administrative Claiming process established for local governmental agencies.

(3) Ninety days prior to the initial participation in the Administrative Claiming process, each local educational consortium shall notify the department of its intent to participate in the process, and shall identify each local educational agency that will be participating as its subcontractor.

(r) (1) Each local educational agency that elects to participate in the Administrative Claiming process shall submit claims through its local educational consortium or through the local governmental agency, but not both.

(2) Each local educational agency participating as a subcontractor to a local educational consortium shall comply with all requirements of the Administrative Claiming process established for local governmental agencies.



(s) A participating local governmental agency or a local educational consortium may charge an administrative fee to any entity claiming Administrative Claiming through that agency.

(t) The department shall continue to administer the Administrative Claiming process in conformity with federal requirements.

(u) The department shall provide technical assistance to all participating local governmental agencies and local educational consortia in order to maximize federal financial participation in the Administrative Claiming process.

(v) (1) Subject to paragraph (2), this section shall be applicable to Administrative Claiming process activities performed, and to moneys paid to participating local governmental agencies for those activities in the 1994–95 fiscal year and thereafter, and to local educational consortia in the 1998–99 fiscal year and thereafter.

(2) This section shall not be applicable to Administrative Claiming process activities performed on or after January 1, 2018.

(w) Nothing in this section or Section 14132.44 shall be construed to prevent any state agency from participating in the Administrative Claiming process or from contracting with others to engage in these activities.

(x) This section shall remain in effect only until January 1, 2018, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2018, deletes or extends that date.

SEC. 7. Section 14132.47 is added to the Welfare and Institutions Code, to read:

14132.47. (a) It is the intent of the Legislature to provide local governmental agencies the choice of participating in the Targeted Case Management (TCM) or the Administrative Claiming process program, or both, at their option, subject to the requirements of this section and Section 14132.44.

(b) The department may contract with each participating local governmental agency to assist with the performance of nonschool-based administrative activities necessary for the proper and efficient administration of the Medi-Cal program, pursuant to Section 1903a of the federal Social Security Act (42 U.S.C. Sec. 1396b(a)), and this activity shall be known as the Administrative Claiming process.

(c) (1) Subject to the requirements of paragraph (2) of subdivision (f), as a condition for participation in the

Administrative Claiming process, each participating local governmental agency shall, for the purpose of claiming federal Medicaid reimbursement, enter into a contract with the department and shall certify to the department the total amount the local governmental agency expended on the allowable administrative activities.

(2) The department shall deny the claim if the department determines that the certification is not adequately supported, or does not otherwise comply with federal requirements, for purposes of claiming federal financial participation.

(d) Each participating local governmental agency may subcontract with private or public entities to assist with the performance of administrative activities necessary for the proper and efficient administration of the Medi-Cal program under the conditions specified by the department in regulations.

(e) Each Administrative Claiming process contract shall include a requirement that each participating local governmental agency submit a claiming plan in a manner that shall be prescribed by the department in regulations developed in consultation with local governmental agencies.

(f) (1) The department shall require that each participating local governmental agency certify to the department both of the following:

(A) The expenditure of 100 percent of the cost of performing Administrative Claiming process activities. The funds expended for this purpose shall be from the local governmental agency's general fund or from any other funds allowed under federal law and regulations.

(B) That the agency's expenditures represent costs that are eligible for federal financial participation for each fiscal year. The department shall deny the claim if the department determines that the certification is not adequately supported for purposes of federal financial participation.

(2) (A) (i) A city that is not a participating local governmental agency, or any other local public entity, that contracts with a local governmental agency pursuant to subdivision (d) and that is located within a county that is a participating local governmental agency pursuant to this section may submit certification to the local governmental agency of amounts expended for Administrative

Claiming services in accordance with Section 433.51 of Title 42 of the Code of Federal Regulations.

(ii) A city or other local public entity that submits certification pursuant to this paragraph shall comply with the requirements of paragraph (1), with other requirements applicable to local governmental agencies that the department determines, in regulations, to be applicable, and with all applicable federal requirements.

(iii) The local governmental agency shall forward the city's or local public entity's certification to the department for the purposes of claiming federal financial participation.

(iv) As applicable, the local governmental agency shall obtain and retain appropriate certifications from the expending city or local public entity together with documentation of the underlying expenditures, as required by the department.

(B) A tribe or tribal organization, as defined in subdivision (n), that is not participating in Administrative Claiming process activities as a local governmental agency may contract with, or submit to a tribe or tribal organization that is contracting with, the department pursuant to subdivision (b) amounts expended for Administrative Claiming process activities that it is certifying in accordance with Section 433.51 of Title 42 of the Code of Federal Regulations and other applicable federal law and regulations. The tribe or tribal organization receiving the certification shall forward the certification to the department for purposes of claiming federal financial participation. The certification shall comply with all of the requirements for certification set forth in subparagraph (A).

(g) (1) Notwithstanding any other provision of this section, the state shall be held harmless, in accordance with paragraphs (2) and (3), from any federal audit disallowance and interest resulting from payments made to a participating local governmental agency, pursuant to this section, for the disallowed claim.

(2) To the extent that a federal audit disallowance and interest results from a claim or claims for which any participating local governmental agency has received reimbursement for Administrative Claiming process activities, the department shall recoup from the local governmental agency that submitted the disallowed claim, through offsets or by a direct billing, amounts equal to the amount of the disallowance and interest in that fiscal year for the disallowed claim. All subsequent claims submitted to

the department applicable to any previously disallowed administrative activity or claim may be held in abeyance, with no payment made, until the federal disallowance issue is resolved.

(3) Notwithstanding paragraph (2), to the extent that a federal audit disallowance and interest results from a claim or claims for which the participating local governmental agency has received reimbursement for Administrative Claiming process activities performed by an entity under contract with, and on behalf of, the participating local governmental agency, the department shall be held harmless by that particular participating local governmental agency for 100 percent of the amount of the federal audit disallowance and interest for the disallowed claim.

(h) The use of local funds required by this section shall not create, lead to, or expand the health care funding obligations or service obligations for current or future years for any participating local governmental agency, except as required by this section or as may be required by federal law.

(i) The department shall deny any claim from a participating local governmental agency if the department determines that the claim is not adequately supported in accordance with criteria established pursuant to this subdivision and implementing regulations before the department forwards the claim for reimbursement to the federal Medicaid program. In consultation with local governmental agencies, the department shall adopt regulations that prescribe the requirements for the submission and payment of claims for administrative activities performed by each participating local governmental agency.

(j) Administrative activities shall be those determined by the department to be necessary for the proper and efficient administration of the state's Medicaid plan and shall be defined in regulation.

(k) If the department denies any claim submitted under this section, the affected participating local governmental agency may, within 30 days after receipt of written notice of the denial, request that the department reconsider its action. The participating local governmental agency may request a meeting with the director or his or her designee within 30 days to present the agency's concerns to the department after the request is filed. If the director or his or her designee cannot meet, the department shall respond in writing to the participating local governmental agency in response to its

appeal, indicating the specific reasons for which the claim is out of compliance. The decision of the director shall be final.

(l) To the extent consistent with federal law and regulations, participating local governmental agencies may claim the actual costs of nonemergency, nonmedical transportation of Medi-Cal eligibles to Medi-Cal covered services, under guidelines established by the department, to the extent that these costs are actually borne by the participating local governmental agency.

(m) As a condition of participation in the Administrative Claiming process and in recognition of revenue generated to each participating local governmental agency in the Administrative Claiming process, each participating local governmental agency shall pay an annual participation fee through a mechanism agreed to by the state and local governmental agencies, or, if no agreement is reached by August 1 of each year, directly to the state. The participation fee shall be used to cover the cost of administering the Administrative Claiming process, including, but not limited to, claims processing, technical assistance, and monitoring. The department shall determine and report staffing requirements upon which projected costs will be based. The amount of the participation fee shall be based upon the anticipated salaries, benefits, and operating expenses to administer the Administrative Claiming process and other costs related to that process.

(n) (1) For the purposes of this section, “participating local governmental agency” means a county, charter city, Native American Indian tribe, tribal organization, or subgroup of a Native American Indian tribe or tribal organization, under contract with the department pursuant to subdivision (b). A participating local governmental agency for the purposes of this section does not include a local educational agency or an agency under contract with the department for the purpose of claiming reimbursement for school-based administrative activities related to the Medi-Cal program.

(2) Each participating Native American Indian tribe, tribal organization, or subgroup of a Native American Indian tribe or tribal organization may claim, as a Medi-Cal Administrative Activity, facilitating Medi-Cal applications, which includes, but is not limited to, using the California Healthcare Eligibility, Enrollment, and Retention System.

(o) A participating local governmental agency may charge an administrative fee to any entity claiming Administrative Claiming through that agency.

(p) The department shall continue to administer the Administrative Claiming process in conformity with federal requirements.

(q) The department shall provide technical assistance to all participating local governmental agencies in order to maximize federal financial participation in the Administrative Claiming process.

(r) This section shall be applicable to Administrative Claiming process activities performed and to moneys paid to participating local governmental agencies for those activities in the 1994–95 fiscal year and thereafter.

(s) Nothing in this section or Section 14132.44 shall be construed to prevent any state agency from participating in the Administrative Claiming process or from contracting with others to engage in these activities.

(t) This section shall be implemented to the extent that federal financial participation is available and any necessary federal approvals have been obtained.

(u) The department may seek approval of any state plan amendments necessary to implement this section.

(v) Notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, the department may implement, interpret, or make specific this section by means of all-county letters, provider bulletins, or similar instructions.

(w) This section shall become operative on January 1, 2018.

SEC. 8. Section 14132.471 is added to the Welfare and Institutions Code, to read:

14132.471. (a) It is the intent of the Legislature to provide local governmental agencies with the option to participate in the Targeted Case Management (TCM) program and to provide local educational agencies with the option to participate in the Administrative Claiming process program, subject to the requirements of this section and Section 14132.44.

(b) (1) Beginning no later than July 1, 2018, the department, based on the input of the workgroup described in Section 14005.272, may administer, or oversee the administration of, a

single statewide quarterly random moment time survey for the School-Based Administrative Claiming process program, or a reduction in the number of random moment time surveys conducted in the state.

(2) The statewide quarterly random moment time survey described in paragraph (1) shall not apply to the Los Angeles Unified School District (LAUSD), which shall conduct its own random moment time survey. Data from the random moment time survey conducted by LAUSD shall not be included in the statewide random moment time survey described in paragraph (1).

(c) (1) The department may contract with a participating local educational consortium or local governmental agency and shall, if a local educational agency chooses and the department has developed a process for direct contracting, contract with a local educational agency to perform school-based administrative activities necessary for the proper and efficient administration of the Medi-Cal program, pursuant to Section 1903a of the federal Social Security Act (42 U.S.C. Sec. 1396b(a)). This activity shall be known as the School-Based Administrative Claiming process.

(2) A local educational agency that contracts with the department pursuant to paragraph (1) may contract with a participating local educational consortium or local governmental agency to perform some or all of the duties imposed on a participant by this section.

(3) For purposes of this section, “participating local educational agency, local educational consortium, or local governmental agency” or “participant” means a local educational agency, local educational consortium, or local governmental agency that contracts with the department pursuant to paragraph (1).

(d) (1) As a condition of participation in the School-Based Administrative Claiming process program, each participating local educational agency, local educational consortium, or local governmental agency shall, for the purpose of claiming federal Medicaid reimbursement, enter into a contract with the department and shall certify to the department, pursuant to subdivision (f), the total amount the local educational agency expended on the allowable administrative activities. A local educational agency may certify the amount expended on allowable administrative activities either directly to the department or through a local educational consortium or local governmental agency.

(2) The department shall deny the claim if the department determines that the certification is not adequately supported, or otherwise does not comply with federal requirements, for purposes of claiming federal financial participation.

(e) Each School-Based Administrative Claiming process contract shall include a requirement for each participating local educational agency, local educational consortium, or local governmental agency to submit a claiming plan in a manner that shall be prescribed by the department in regulations developed in consultation with local educational agencies, local educational consortia, and local governmental agencies.

(f) (1) The department shall require each participating local educational agency, local educational consortium, or local governmental agency to certify to the department both of the following:

(A) That the participant claiming federal Medicaid reimbursement expended funds from its general fund or from any other fund allowed under federal law and regulations to pay for 100 percent of the cost of performing School-Based Administrative Claiming process program activities.

(B) For each fiscal year, that the expenditures of the participant claiming federal Medicaid reimbursement represent costs that are eligible for federal financial participation for that fiscal year.

(2) A tribe or tribal organization, as described in subdivision (n), may contract with, or submit to a tribe or tribal organization that is contracting with, the department pursuant to subdivision (b) amounts expended for School-Based Administrative Claiming process activities that it is certifying in accordance with Section 433.51 of Title 42 of the Code of Federal Regulations and other applicable federal law and regulations. The tribe or tribal organization receiving the certification shall forward the certification to the department for purposes of claiming federal financial participation. The certification shall comply with all of the requirements for certification set forth in subparagraph (A) of paragraph (1).

(g) (1) Notwithstanding any other provision of this section, the state shall be held harmless, in accordance with paragraphs (2) and (3), from any federal audit disallowance and interest resulting from payments made to a participating local educational agency,



local educational consortium, or local governmental agency pursuant to this section for the disallowed claim.

(2) To the extent that a federal audit disallowance and interest results from a claim or claims for which a participating local educational agency, local educational consortium, or local governmental agency has received reimbursement for School-Based Administrative Claiming process activities, the department shall recoup from the participant that submitted the disallowed claim, through offsets or by a direct billing, amounts equal to the amount of the disallowance and interest, in that fiscal year, for the disallowed claim. All subsequent claims submitted to the department applicable to a previously disallowed administrative activity or claim may be held in abeyance, with no payment made, until the federal disallowance issue is resolved.

(3) Notwithstanding paragraph (2), to the extent that a federal audit disallowance and interest results from a claim or claims for which the participating local educational agency, local educational consortium, or local governmental agency has received reimbursement for School-Based Administrative Claiming process activities performed by an entity under contract with, and on behalf of, the participant, the department shall be held harmless by that particular participant for 100 percent of the amount of the federal audit disallowance and interest for the disallowed claim.

(h) The use of local funds required by this section shall not create, lead to, or expand the health care funding obligations or service obligations for current or future years for a participating local educational agency, local educational consortium, or local governmental agency except as required by this section or as may be required by federal law.

(i) (1) The department shall, in consultation with participating local educational agency, local educational consortium, or local governmental agency, adopt regulations that prescribe the requirements for the submission and payment of claims for administrative activities performed by each participant.

(2) The department shall deny a claim from a participating local educational agency, local educational consortium, or local governmental agency if the department determines that the claim is not adequately supported in accordance with criteria established pursuant to this subdivision and implementing regulations before

the department forwards the claim for reimbursement to the federal Medicaid program.

(j) Administrative activities shall be those determined by the department to be necessary for the proper and efficient administration of the state's Medicaid plan and shall be defined in regulation.

(k) If the department denies a claim submitted under this section, the affected participating local educational agency, local educational consortium, or local governmental agency, within 30 days after receipt of written notice of the denial, may request that the department reconsider its action. The participant may request a meeting with the director or his or her designee within 30 days to present its concerns to the department after the request is filed. If the director or his or her designee cannot meet, the department shall respond in writing to the participant in response to its request for reconsideration, indicating the specific reasons for which the claim is out of compliance. The participant may appeal the decision of the director pursuant to the appeals process established by the department pursuant to Section 14005.274.

(l) To the extent consistent with federal law and regulations, participating local educational agencies, local educational consortia, or local governmental agencies may claim the actual costs of nonemergency, nonmedical transportation of Medi-Cal eligibles to Medi-Cal covered services, under guidelines established by the department, to the extent that these costs are actually borne by the participants. A participant may only claim for nonemergency, nonmedical transportation of Medi-Cal eligibles for Medi-Cal covered services, through the School-Based Administrative Claiming process. Medi-Cal medical transportation services shall be claimed under the local educational agency Medi-Cal billing option, pursuant to Section 14132.06.

(m) As a condition of participation in the School-Based Administrative Claiming process and in recognition of revenue generated to a participating local educational agency, local educational consortium, or local governmental agency in the School-Based Administrative Claiming process, each participant shall pay an annual participation fee through a mechanism agreed to by the state and the participant. The participation fee shall be used to cover the cost of administering the School-Based Administrative Claiming process. The department shall determine

and report staffing requirements upon which projected costs will be based. The amount of the participation fee shall be based upon the anticipated salaries, benefits, and operating expenses to administer the School-Based Administrative Claiming process and other costs related to that process.

(n) (1) For the purposes of this section, “participating local governmental agency” includes a Native American Indian tribe, tribal organization, or subgroup of a Native American Indian tribe or tribal organization under contract with the department pursuant to subdivision (c).

(2) Each participating Native American Indian tribe, tribal organization, or subgroup of a Native American Indian tribe or tribal organization may claim, as a Medi-Cal administrative activity, facilitating Medi-Cal applications, including, but not limited to, using the California Healthcare Eligibility, Enrollment, and Retention System.

(o) (1) For purposes of this section, “local educational agency” includes county offices of education, special education local plan areas, Healthy Start programs, and local educational agencies, as defined in subdivision (h) of Section 14132.06, that participate in the School-Based Administrative Claiming process program as a contractor with the department.

(2) For purposes of this section, “local educational consortium” means a local agency that is one of the service regions of the California County Superintendent Educational Services Association.

(p) (1) Each participating local educational agency, local educational consortium, or local governmental agency that contracts with the department pursuant to paragraph (1) of subdivision (c) shall be responsible for the preparation and submission of all administrative claiming plans, training of local educational agency staff, and the submission of detailed quarterly invoices.

(2) A participating local educational consortium shall be responsible for a local educational agency with which it contracts that participates in the School-Based Administrative Claiming process program solely as a subcontractor to the local educational consortium. This responsibility includes, but is not limited to, the preparation and submission of all administrative claiming plans, training of local educational agency staff, overseeing the local

educational agency time survey process, the submission of detailed quarterly invoices on behalf of any participating local educational agency, and ensuring that the local educational agency complies with all requirements of the School-Based Administrative Claiming process program.

(3) Each participating local educational agency, local educational consortium, or local governmental agency shall comply with all requirements of the School-Based Administrative Claiming process program.

(4) Ninety days prior to the initial participation in the School-Based Administrative Claiming process program, each local educational agency, local educational consortium, or local governmental agency shall notify the department of its intent to participate in the program.

(q) Each local educational consortium or local governmental agency that elects to participate in the School-Based Administrative Claiming process program shall submit claims directly to the department. A local educational agency that elects to participate in the School-Based Administrative Claiming process program may submit claims directly to the department, or to a local educational consortium or local governmental agency.

(r) The department shall continue to administer the School-Based Administrative Claiming process program in conformity with federal requirements.

(s) This section shall be applicable to School-Based Administrative Claiming process program activities performed on or after January 1, 2018.

(t) This section and Section 14132.44 shall not be construed to prevent a state agency from participating in the School-Based Administrative Claiming process program or from contracting with others to engage in these activities.

(u) This section shall not be construed to prohibit county offices of education, local educational consortia, or local governmental agencies from providing services to local educational agencies to facilitate participation in school-based health programs on a fee-for-service basis; however, local governmental agencies and local educational consortia shall only require local educational agencies to contract for services that are actually provided and necessary for the performance of oversight and monitoring responsibilities, including training regarding random moment time

surveys, random moment time survey study tasks, roster updates, and financial review. This section shall not be construed to prohibit a county office of education or a local educational consortium providing services to a local educational agency from contracting with private or public entities to assist with the performance of administrative activities necessary for the proper and efficient administration of the Medi-Cal program under the conditions specified by the department in regulations.

(v) This section shall be implemented to the extent that federal financial participation is available and any necessary federal approvals have been obtained.

(w) The department may seek approval of any state plan amendments necessary to implement this section.

(x) Notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, the department may implement, interpret, or make specific this section by means of all-county letters, provider bulletins, or similar instructions.

SEC. 9. Section 14132.472 is added to the Welfare and Institutions Code, to read:

14132.472. (a) By July 1, 2018, the department shall enter into an interagency agreement or memorandum of understanding (MOU) with the State Department of Education to coordinate the efforts of both departments with respect to the School-Based Administrative Claiming process program described in Section 14132.471 and the local educational agency (LEA) Medi-Cal billing option (the LEA billing option) described in Section 14132.06. The interagency agreement or MOU shall take into consideration the recommendations of the workgroup established by Section 14005.272 provided pursuant to subdivision (c) of Section 14005.272.

(b) In developing the interagency agreement or MOU described in subdivision (a), the department shall do all of the following:

(1) Consult with relevant nonprofit organizations involved in facilitating information sharing among state Medicaid and education agencies involved in the administration of Medicaid claiming for school-based services to identify, and implement if feasible, best practices that accomplish the coordination of efforts required by subdivision (a).

(2) Consult with the workgroup established pursuant to Section 14005.272 regarding the role of the State Department of Education on the impact of the implementation of the School-Based Administrative Claiming process program and the LEA billing option on operations at the local level and any changes to the MOU that the workgroup recommends.

(3) Develop a schedule for the regular ongoing meetings of the workgroup established pursuant to Section 14005.272 to provide feedback to the department and the State Department of Education.

(4) Ensure that the MOU components developed in collaboration with the State Department of Education and with the input of the workgroup established pursuant to Section 14005.272 are severable.



Approved \_\_\_\_\_, 2016

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*Governor*