

Introduced by Senator Beall

February 26, 2015

An act to amend Section 128740 of, and to add Section 1253.7 to, the Health and Safety Code, relating to health care.

LEGISLATIVE COUNSEL'S DIGEST

SB 483, as amended, Beall. General acute care hospitals: observation services.

(1) Existing law establishes the State Department of Public Health and sets forth its powers and duties, including, but not limited to, the licensing and regulation of health facilities, including, but not limited to, general acute care hospitals. A violation of these provisions is a crime.

Existing law authorizes the department to issue a special permit authorizing a health facility to offer one or more special services when specified requirements are met. Existing law requires general acute care hospitals to apply for supplemental services approval and requires the department to, upon issuance and renewal of a license for certain health facilities, separately identify on the license each supplemental service. Existing law requires a hospital to report specified summary financial and utilization data to the Office of Statewide Health Planning and Development (OSHPD) within 45 days of the end of the every calendar quarter.

This bill would require a general acute care hospital that provides observation services, as defined, to apply for approval from the department to provide these services as supplemental services. The bill would require the department to adopt standards and regulations for a

hospital providing observation services as an approved supplemental service under the general acute care hospital’s license. The bill would require hospitals to include certain data relating to observation service visits and total observation service gross revenues in the reports filed with OSHPD.

(2) Because a violation of these provisions by a health facility would be a crime, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: yes.

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

- 1 SECTION 1. Section 1253.7 is added to the Health and Safety
- 2 Code, to read:
- 3 1253.7. (a) (1) For purposes of this chapter, “observation
- 4 services” means outpatient services provided by a general acute
- 5 care hospital to those patients described in subdivision (e) who
- 6 have unstable or uncertain conditions potentially serious enough
- 7 to warrant close observation, but not so serious as to warrant
- 8 inpatient admission to the hospital. Observation services may
- 9 include the use of a bed, monitoring by nursing and other staff,
- 10 and any other services that are reasonable and necessary to safely
- 11 evaluate a patient’s condition or determine the need for a possible
- 12 inpatient admission to the hospital.
- 13 (2) For purposes of this chapter, “observation unit” means an
- 14 area where observation services are provided in a setting outside
- 15 of an inpatient unit of a general acute care hospital.
- 16 (b) Observation services *in observation units, as defined in*
- 17 *subdivision (a),* may be provided for a period of no more than 24
- 18 hours.
- 19 (c) A general acute care hospital that provides observation
- 20 services in an observation unit shall apply for approval from the
- 21 department, pursuant to subdivision (a) of Section 1253.6, to
- 22 provide services in an observation unit as a supplemental service.

1 (d) The department shall adopt standards and regulations,
2 pursuant to subdivision (a) of Section 1275, for providing
3 observation services in an observation unit as a supplemental
4 service under the general acute care hospital's license.

5 (e) Observation services may be ordered by an appropriately
6 licensed practitioner only for any of the following:

7 (1) A patient who has received triage services in the emergency
8 department but has not been admitted as an inpatient.

9 (2) A patient who has received outpatient surgical services and
10 procedures.

11 (3) A patient who has been admitted as an inpatient and is
12 discharged to receive observation services.

13 (4) A patient previously seen in a physician's office or outpatient
14 clinic.

15 (f) Notwithstanding subdivisions (d) and (e) of Section 1275,
16 observation services provided by the general acute care hospital
17 in an observation unit, including the services provided in a
18 freestanding physical plant, as defined in subdivision (g) of Section
19 1275, shall comply with the same staffing standards, including,
20 but not limited to, licensed nurse-to-patient ratios, as supplemental
21 emergency services.

22 (g) A patient receiving observation services shall receive written
23 notice that his or her care is being provided on an outpatient basis,
24 and that this may impact reimbursement by Medicare, Medi-Cal,
25 or private payers of health care services, or cost-sharing
26 arrangements through his or her health care coverage.

27 (h) Observation units shall be marked with signage identifying
28 the area as an outpatient area. The signage shall use the term
29 "outpatient" in the title of the area to clearly indicate to all patients
30 and family members that the observation services provided in the
31 center are not inpatient services.

32 (i) Observation services shall be deemed outpatient or
33 ambulatory services that are revenue-producing cost centers
34 associated with hospital-based or satellite service locations that
35 emphasize outpatient care. Identifying an observation unit by a
36 name or term other than that used in this subdivision does not
37 exempt the general acute care hospital from the requirement to
38 obtain approval from the department to provide observation
39 services as a distinct supplemental service when observation

1 services are provided in a setting outside of an inpatient unit of a
2 general acute care hospital.

3 SEC. 2. Section 128740 of the Health and Safety Code is
4 amended to read:

5 128740. (a) Commencing with the first calendar quarter of
6 1992, the following summary financial and utilization data shall
7 be reported to the office by each hospital within 45 days of the
8 end of every calendar quarter. Adjusted reports reflecting changes
9 as a result of audited financial statements may be filed within four
10 months of the close of the hospital's fiscal or calendar year. The
11 quarterly summary financial and utilization data shall conform to
12 the uniform description of accounts as contained in the Accounting
13 and Reporting Manual for California Hospitals and shall include
14 all of the following:

15 (1) Number of licensed beds.

16 (2) Average number of available beds.

17 (3) Average number of staffed beds.

18 (4) Number of discharges.

19 (5) Number of inpatient days.

20 (6) Number of outpatient visits, excluding observation service
21 visits.

22 (7) Number of observation service visits and number of hours
23 of services provided.

24 (8) Total operating expenses.

25 (9) Total inpatient gross revenues by payer, including Medicare,
26 Medi-Cal, county indigent programs, other third parties, and other
27 payers.

28 (10) Total outpatient gross revenues by payer, including
29 Medicare, Medi-Cal, county indigent programs, other third parties,
30 and other payers.

31 (11) Total observation service gross revenues by payer,
32 including Medicare, Medi-Cal, county indigent programs, other
33 third parties, and other payers.

34 (12) Deductions from revenue in total and by component,
35 including the following: Medicare contractual adjustments,
36 Medi-Cal contractual adjustments, and county indigent program
37 contractual adjustments, other contractual adjustments, bad debts,
38 charity care, restricted donations and subsidies for indigents,
39 support for clinical teaching, teaching allowances, and other
40 deductions.

1 (13) Total capital expenditures.

2 (14) Total net fixed assets.

3 (15) Total number of inpatient days, outpatient visits excluding
4 observation services, observation services, and discharges by payer,
5 including Medicare, Medi-Cal, county indigent programs, other
6 third parties, self-pay, charity, and other payers.

7 (16) Total net patient revenues by payer including Medicare,
8 Medi-Cal, county indigent programs, other third parties, and other
9 payers.

10 (17) Other operating revenue.

11 (18) Nonoperating revenue net of nonoperating expenses.

12 (b) Hospitals reporting pursuant to subdivision (d) of Section
13 128760 may provide the items in paragraphs (8), (9), (10), (12),
14 (16), (17), and (18) of subdivision (a) on a group basis, as described
15 in subdivision (d) of Section 128760.

16 (c) The office shall make available at cost, to any person, a ~~hard~~
17 ~~copy~~ *hardcopy* of any hospital report made pursuant to this section
18 and in addition to ~~hard copies~~, *hardcopies* shall make available at
19 cost, a computer tape of all reports made pursuant to this section
20 within 105 days of the end of every calendar quarter.

21 (d) The office shall adopt by regulation guidelines for the
22 identification, assessment, and reporting of charity care services.
23 In establishing the guidelines, the office shall consider the
24 principles and practices recommended by professional health care
25 industry accounting associations for differentiating between charity
26 services and bad debts. The office shall further conduct the onsite
27 validations of health facility accounting and reporting procedures
28 and records as are necessary to ~~assure~~ *ensure* that reported data
29 are consistent with regulatory guidelines.

30 SEC. 3. No reimbursement is required by this act pursuant to
31 Section 6 of Article XIII B of the California Constitution because
32 the only costs that may be incurred by a local agency or school
33 district will be incurred because this act creates a new crime or
34 infraction, eliminates a crime or infraction, or changes the penalty
35 for a crime or infraction, within the meaning of Section 17556 of
36 the Government Code, or changes the definition of a crime within
37 the meaning of Section 6 of Article XIII B of the California
38 Constitution.

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