

AMENDED IN SENATE MAY 4, 2015
AMENDED IN SENATE APRIL 22, 2015

SENATE BILL

No. 483

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 (OSHDP) within 45 days of the end of 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, and that is not part of an emergency
16 department, of a general acute care hospital.

17 (b) Observation services in observation units, as defined in
18 subdivision (a), may be provided for a period of no more than 24
19 hours.

20 (c) A general acute care hospital that provides observation
21 services in an observation unit shall apply for approval from the

1 department, pursuant to subdivision (a) of Section 1253.6, to
2 provide services in an observation unit as a supplemental service.

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

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

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

11 (2) A patient who has received outpatient surgical services and
12 procedures.

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

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

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

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

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

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

1 services as a distinct supplemental service when observation
2 services are provided in a setting outside of an inpatient unit of a
3 general acute care hospital.

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

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

- 16 (1) Number of licensed beds.
- 17 (2) Average number of available beds.
- 18 (3) Average number of staffed beds.
- 19 (4) Number of discharges.
- 20 (5) Number of inpatient days.
- 21 (6) Number of outpatient visits, excluding observation service
22 visits.
- 23 (7) Number of observation service visits and number of hours
24 of services provided.
- 25 (8) Total operating expenses.
- 26 (9) Total inpatient gross revenues by payer, including Medicare,
27 Medi-Cal, county indigent programs, other third parties, and other
28 payers.
- 29 (10) Total outpatient gross revenues by payer, including
30 Medicare, Medi-Cal, county indigent programs, other third parties,
31 and other payers.
- 32 (11) Total observation service gross revenues by payer,
33 including Medicare, Medi-Cal, county indigent programs, other
34 third parties, and other payers.
- 35 (12) Deductions from revenue in total and by component,
36 including the following: Medicare contractual adjustments,
37 Medi-Cal contractual adjustments, and county indigent program
38 contractual adjustments, other contractual adjustments, bad debts,
39 charity care, restricted donations and subsidies for indigents,

1 support for clinical teaching, teaching allowances, and other
2 deductions.

3 (13) Total capital expenditures.

4 (14) Total net fixed assets.

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

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

12 (17) Other operating revenue.

13 (18) Nonoperating revenue net of nonoperating expenses.

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

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

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

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

- 1 the meaning of Section 6 of Article XIII B of the California
- 2 Constitution.

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