

Senate Bill No. 1477

Passed the Senate August 29, 2016

Secretary of the Senate

Passed the Assembly August 24, 2016

Chief Clerk of the Assembly

This bill was received by the Governor this _____ day
of _____, 2016, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to amend Section 100500 of the Government Code, and to amend Sections 101319, 123870, 123900, 123929, 123940, and 123955 of the Health and Safety Code, and to amend Section 14184.20 of, and to add and repeal Section 14124.12 of, the Welfare and Institutions Code, relating to health.

LEGISLATIVE COUNSEL'S DIGEST

SB 1477, Committee on Health. Health.

(1) Existing federal law, the federal Patient Protection and Affordable Care Act (PPACA), enacts various health care coverage market reforms that took effect January 1, 2014. Among other things, PPACA requires each state, by January 1, 2014, to establish an American Health Benefit Exchange that facilitates the purchase of qualified health plans by qualified individuals and qualified small employers. Existing state law establishes the California Health Benefit Exchange (the Exchange) within state government, specifies the powers and duties of the board governing the Exchange, and requires the board to facilitate the purchase of qualified health plans by qualified individuals and qualified small employers.

This bill would state that the California Health Benefit Exchange is also known as Covered California and would deem any reference to the California Health Benefit Exchange or the Exchange to refer to Covered California.

(2) Under existing law, the Robert W. Crown California Children's Services Act, the State Department of Health Care Services and each county administers the California Children's Services Program (CCS program) for treatment services for physically defective or handicapped persons under 21 years of age, as specified. Existing law authorizes, if a person is enrolled in the Healthy Families Program or the AIM-Linked Infants Program, the financial documentation required to establish eligibility for those programs to be used to establish financial eligibility for treatment services under the CCS program. Existing law transitions enrollees of the Healthy Families Program to the

Medi-Cal program and renamed the AIM-Linked Infants Program as the Medi-Cal Access Program.

This bill would change references to the Healthy Families Program to the Medi-Cal program, and the AIM-Linked Infants Program to the Medi-Cal Access Program.

(3) Existing law establishes the Medi-Cal program, administered by the State Department of Health Care Services, under which health care services are provided to qualified, low-income persons. The Medi-Cal program is, in part, governed and funded by the federal Medicaid program. Under existing law, one of the methods by which Medi-Cal services are provided is pursuant to contracts with various types of managed care plans. Under the Medi-Cal program, existing law provides for the provision of health, dental, and vision benefits to eligible children pursuant to the federal Children's Health Insurance Program (CHIP). Existing federal regulations, published on May 6, 2016, revise regulations governing Medicaid managed care plans to, among other things, align, where feasible, those rules with those of other major sources of coverage, including coverage through qualified health plans offered through an American Health Benefit Exchange, such as the Exchange, and promote quality of care and strengthen efforts to reform delivery systems that serve Medicaid and CHIP beneficiaries.

This bill, until January 1, 2020, would authorize the department to enter into contracts for the purposes of undertaking certain administrative activities concerning those revised federal regulations published on May 6, 2016. The bill would exempt contracts entered into or amended under this authority from specified provisions of the State Contract Act, specified provisions governing personal services contracts, and the provisions governing the requirement of advertising in the California State Contracts Register. The bill would require contracts entered into pursuant to these provisions to be publicly available pursuant to the California Public Records Act.

(4) This bill would correct an erroneous cross-reference and would also make other technical, nonsubstantive changes.

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

SECTION 1. Section 100500 of the Government Code is amended to read:

100500. (a) There is in state government the California Health Benefit Exchange, an independent public entity not affiliated with an agency or department, which shall also be known as Covered California. Covered California shall be governed by an executive board consisting of five members who are residents of California. Of the members of the board, two shall be appointed by the Governor, one shall be appointed by the Senate Committee on Rules, and one shall be appointed by the Speaker of the Assembly. The Secretary of California Health and Human Services or his or her designee shall serve as a voting, ex officio member of the board.

(b) Members of the board, other than an ex officio member, shall be appointed for a term of four years, except that the initial appointment by the Senate Committee on Rules shall be for a term of five years, and the initial appointment by the Speaker of the Assembly shall be for a term of two years. Appointments by the Governor made after January 2, 2011, shall be subject to confirmation by the Senate. A member of the board may continue to serve until the appointment and qualification of his or her successor. Vacancies shall be filled by appointment for the unexpired term. The board shall elect a chairperson on an annual basis.

(c) (1) Each person appointed to the board shall have demonstrated and acknowledged expertise in at least two of the following areas:

- (A) Individual health care coverage.
- (B) Small employer health care coverage.
- (C) Health benefits plan administration.
- (D) Health care finance.
- (E) Administering a public or private health care delivery system.
- (F) Purchasing health plan coverage.
- (G) Marketing of health insurance products.
- (H) Information technology system management.
- (I) Management information systems.

(J) Enrollment counseling assistance, with priority to cultural and linguistic competency.

(2) Appointing authorities shall consider the expertise of the other members of the board and attempt to make appointments so that the board's composition reflects a diversity of expertise.

(d) Each member of the board shall have the responsibility and duty to meet the requirements of this title, the federal act, and all applicable state and federal laws and regulations, to serve the public interest of the individuals and small businesses seeking health care coverage through the Exchange, and to ensure the operational well-being and fiscal solvency of the Exchange.

(e) In making appointments to the board, the appointing authorities shall take into consideration the cultural, ethnic, and geographical diversity of the state so that the board's composition reflects the communities of California.

(f) (1) A member of the board or of the staff of the Exchange shall not be employed by, a consultant to, a member of the board of directors of, affiliated with, or otherwise a representative of, a carrier or other insurer, an agent or broker, a health care provider, or a health care facility or health clinic while serving on the board or on the staff of the Exchange. A member of the board or of the staff of the Exchange shall not be a member, a board member, or an employee of a trade association of carriers, health facilities, health clinics, or health care providers while serving on the board or on the staff of the Exchange. A member of the board or of the staff of the Exchange shall not be a health care provider unless he or she receives no compensation for rendering services as a health care provider and does not have an ownership interest in a professional health care practice.

(2) A board member shall not receive compensation for his or her service on the board, but may receive a per diem and reimbursement for travel and other necessary expenses, as provided in Section 103 of the Business and Professions Code, while engaged in the performance of official duties of the board.

(3) For purposes of this subdivision, "health care provider" means a person licensed or certified pursuant to Division 2 (commencing with Section 500) of the Business and Professions Code, or licensed pursuant to the Osteopathic Act or the Chiropractic Act.

(g) A member of the board shall not make, participate in making, or in any way attempt to use his or her official position to influence the making of a decision that he or she knows or has reason to know will have a reasonably foreseeable material financial effect, distinguishable from its effect on the public generally, on him or her or a member of his or her immediate family, or on either of the following:

(1) Any source of income, other than gifts and other than loans by a commercial lending institution in the regular course of business on terms available to the public without regard to official status aggregating two hundred fifty dollars (\$250) or more in value provided to, received by, or promised to the member within 12 months prior to the time when the decision is made.

(2) Any business entity in which the member is a director, officer, partner, trustee, employee, or holds any position of management.

(h) There shall not be liability in a private capacity on the part of the board or a member of the board, or an officer or employee of the board, for or on account of an act performed or obligation entered into in an official capacity, when done in good faith, without intent to defraud, and in connection with the administration, management, or conduct of this title or affairs related to this title.

(i) The board shall hire an executive director to organize, administer, and manage the operations of the Exchange. The executive director shall be exempt from civil service and shall serve at the pleasure of the board.

(j) The board shall be subject to the Bagley-Keene Open Meeting Act (Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2), except that the board may hold closed sessions when considering matters related to litigation, personnel, contracting, and rates.

(k) (1) The board shall apply for planning and establishment grants made available to the Exchange pursuant to Section 1311 of the federal act. If an executive director has not been hired under subdivision (i) when the United States Secretary of Health and Human Services makes the planning and establishment grants available, the California Health and Human Services Agency shall, upon request of the board, submit the initial application for

planning and establishment grants to the United States Secretary of Health and Human Services.

(2) If a majority of the board has not been appointed when the United States Secretary of Health and Human Services makes the planning and establishment grants available, the California Health and Human Services Agency shall submit the initial application for planning and establishment grants to the United States Secretary of Health and Human Services. Any subsequent applications shall be made as described in paragraph (1) once a majority of the members have been appointed to the board.

(3) The board shall be responsible for using the funds awarded by the United States Secretary of Health and Human Services for the planning and establishment of the Exchange, consistent with subdivision (b) of Section 1311 of the federal act.

(l) Any reference to the California Health Benefit Exchange or the Exchange is deemed to refer to Covered California.

SEC. 2. Section 101319 of the Health and Safety Code is amended to read:

101319. Due to the need to rapidly implement, and to provide local health jurisdictions, hospitals, long-term health care facilities, clinics, emergency medical systems, and poison control centers, or their trade associations, with timely funding for the purposes of, this article, funds appropriated in the annual Budget Act or some other act for purposes of this article for the 2002–03 fiscal year and subsequent fiscal years shall be allocated through the use of agreements, which shall not be subject to Part 2 (commencing with Section 10100) of Division 2 of the Public Contract Code.

SEC. 3. Section 123870 of the Health and Safety Code is amended to read:

123870. (a) The department shall establish standards of financial eligibility for treatment services under the California Children’s Services Program (CCS program).

(1) Financial eligibility for treatment services under this program shall be limited to persons in families with an adjusted gross income of forty thousand dollars (\$40,000) or less in the most recent tax year, as calculated for California state income tax purposes. If a person is enrolled in the Medi-Cal program pursuant to Section 14005.26 of the Welfare and Institutions Code, or enrolled in the Medi-Cal Access Program pursuant to Chapter 2 (commencing with Section 15810) of Part 3.3 of Division 9 of the

Welfare and Institutions Code, the financial documentation required to establish eligibility for the respective programs may be used instead of the person's California state income tax return. However, the director may authorize treatment services for persons in families with higher incomes if the estimated cost of care to the family in one year is expected to exceed 20 percent of the family's adjusted gross income.

(2) Children enrolled in the Medi-Cal program pursuant to Section 14005.26 of the Welfare and Institutions Code or the Medi-Cal Access Program pursuant to Chapter 2 (commencing with Section 15810) of Part 3.3 of Division 9 of the Welfare and Institutions Code, who have a CCS program eligible medical condition under Section 123830, and whose families do not meet the financial eligibility requirements of paragraph (1), shall be deemed financially eligible for CCS program benefits.

(b) Necessary medical therapy treatment services under the California Children's Services Program rendered in the public schools shall be exempt from financial eligibility standards and enrollment fee requirements for the services when rendered to any handicapped child whose educational or physical development would be impeded without the services.

(c) All counties shall use the uniform standards for financial eligibility and enrollment fees established by the department. All enrollment fees shall be used in support of the California Children's Services Program.

(d) Annually, every family with a child eligible to receive services under this article shall pay a fee of twenty dollars (\$20), that shall be in addition to any other program fees for which the family is liable. This assessment shall not apply to any child who is eligible for full scope Medi-Cal benefits without a share of cost, for children receiving therapy through the California Children's Services Program as a related service in their individualized education plans, for children from families having incomes of less than 100 percent of the federal poverty level, or for children covered under the Medi-Cal program pursuant to Section 14005.26 of the Welfare and Institutions Code or the Medi-Cal Access Program.

SEC. 4. Section 123900 of the Health and Safety Code is amended to read:

123900. (a) Beginning September 1, 1991, in addition to any other standards of eligibility pursuant to this article, each family with a child otherwise eligible to receive services under this article shall pay an annual enrollment fee as a requirement for eligibility for services, except as specified in subdivision (f).

(b) The department shall determine the annual enrollment fee, which shall be a sliding fee scale based upon family size and income, and shall be adjusted by the department to reflect changes in the federal poverty level.

(c) “Family size” shall include the child, his or her natural or adoptive parents, siblings, and other family members who live together and whose expenses are dependent upon the family income.

(d) “Family income” for purposes of this article, shall include the total gross income, or their equivalents, of the child and his or her natural or adoptive parents.

(e) Payment of the enrollment fee is a condition of program participation. The enrollment fee is independent of any other financial obligation to the program.

(f) The enrollment fee shall not be charged in any of the following cases:

(1) The only services required are for diagnosis to determine eligibility for services, or are for medically necessary therapy pursuant to Section 123875.

(2) The child is otherwise eligible to receive services and is eligible for full Medi-Cal benefits at the time of application or reapplication.

(3) The family of the child otherwise eligible to receive services under this article has a gross annual income of less than 200 percent of the federal poverty level.

(4) The family of a child otherwise eligible to receive services under this article who is enrolled in the Medi-Cal program pursuant to Section 14005.26 of the Welfare and Institutions Code.

(g) Failure to pay or to arrange for payment of the enrollment fee within 60 days of the due date shall result in disenrollment and ineligibility for coverage of treatment services 60 days after the due date of the required payment.

(h) The county shall apply the enrollment fee scale established by the department and shall collect the enrollment fee. The county may arrange with the family for periodic payment during the year

if a lump-sum payment will be a hardship for the family. The agency director of California Children's Services may, on a case-by-case basis, waive or reduce the amount of a family's enrollment fee if, in the director's judgment, payment of the fee will result in undue hardship.

(i) By thirty days after the effective date of this section or August 1, 1991, whichever is later, the department shall advance to each county, as a one-time startup amount, five dollars and fifty cents (\$5.50) for each county child who was receiving services under this article on June 30, 1990, and who was not a Medi-Cal beneficiary. This one-time payment shall be in addition to the 4.1 percent of the gross total expenditures for diagnoses, treatment, and therapy by counties allowed under Section 123955.

(j) Each county shall submit to the state, as part of its quarterly claim for reimbursement, an accounting of all revenues due and revenues collected as enrollment fees.

SEC. 5. Section 123929 of the Health and Safety Code is amended to read:

123929. (a) Except as otherwise provided in this section and Section 14133.05 of the Welfare and Institutions Code, California Children's Services Program services provided pursuant to this article require prior authorization by the department or its designee. Prior authorization is contingent on determination by the department or its designee of all of the following:

(1) The child receiving the services is confirmed to be medically eligible for the CCS program.

(2) The provider of the services is approved in accordance with the standards of the CCS program.

(3) The services authorized are medically necessary to treat the child's CCS-eligible medical condition.

(b) The department or its designee may approve a request for a treatment authorization that is otherwise in conformance with subdivision (a) for services for a child participating in the Medi-Cal program pursuant to Section 14005.26 of the Welfare and Institutions Code or the Medi-Cal Access Program pursuant to Chapter 2 (commencing with Section 15810) of Part 3.3 of Division 9 of the Welfare and Institutions Code, received by the department or its designee after the requested treatment has been provided to the child.

(c) If a provider of services who meets the requirements of paragraph (2) of subdivision (a) incurs costs for services described in paragraph (3) of subdivision (a) to treat a child described in subdivision (b) who is subsequently determined to be medically eligible for the CCS program, as determined by the department or its designee, the department may reimburse the provider for those costs. Reimbursement under this section shall conform to the requirements of Section 14105.18 of the Welfare and Institutions Code.

(d) (1) By July 1, 2016, or a subsequent date determined by the department, requests for authorization of services, excluding requests for authorization of services submitted by dental providers enrolled in the Medi-Cal Dental program, shall be submitted in an electronic format determined by the department and shall be submitted via the department's Internet Web site or other electronic means designated by the department. The department may implement this requirement in phases.

(2) The department shall designate an alternate format for submitting requests for authorization of services when the department's Internet Web site or other electronic means designated in paragraph (1) are unavailable due to a system disruption.

(3) Notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, the department may, without taking regulatory action, implement, interpret, or make specific this subdivision and any applicable waivers and state plan amendments by means of all-county letters, plan letters, plan or provider bulletins, or similar instructions. Thereafter, the department shall adopt regulations by July 1, 2017, in accordance with the requirements of Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. The department shall consult with interested parties and appropriate stakeholders in implementing this subdivision.

SEC. 6. Section 123940 of the Health and Safety Code is amended to read:

123940. (a) (1) Annually, the board of supervisors shall appropriate a sum of money for services for handicapped children of the county, including diagnosis, treatment, and therapy services for physically handicapped children in public schools, equal to 25 percent of the actual expenditures for the county program under

this article for the 1990–91 fiscal year, except as specified in paragraph (2).

(2) If the state certifies that a smaller amount is needed in order for the county to pay 25 percent of costs of the county’s program from this source. The smaller amount certified by the state shall be the amount that the county shall appropriate.

(b) In addition to the amount required by subdivision (a), the county shall allocate an amount equal to the amount determined pursuant to subdivision (a) for purposes of this article from revenues allocated to the county pursuant to Chapter 6 (commencing with Section 17600) of Part 5 of Division 9 of the Welfare and Institutions Code.

(c) (1) The state shall match county expenditures for this article from funding provided pursuant to subdivisions (a) and (b).

(2) County expenditures shall be waived for payment of services for children who are eligible pursuant to paragraph (2) of subdivision (a) of Section 123870.

(d) The county may appropriate and expend moneys in addition to those set forth in subdivisions (a) and (b) and the state shall match the expenditures, on a dollar-for-dollar basis, to the extent that state funds are available for this article.

(e) County appropriations under subdivisions (a) and (b) shall include county financial participation in the nonfederal share of expenditures for services for children who are enrolled in the Medi-Cal program pursuant to Section 14005.26 of the Welfare and Institutions Code, or the Medi-Cal Access Program pursuant to Chapter 2 (commencing with Section 15810) of Part 3.3 of Division 9 of the Welfare and Institutions Code, and who are eligible for services under this article pursuant to paragraph (1) of subdivision (a) of Section 123870, to the extent that federal financial participation is available at the enhanced federal reimbursement rate under Title XXI of the federal Social Security Act (42 U.S.C. Sec. 1397aa et seq.) and funds are appropriated for the California Children’s Services Program in the State Budget.

(f) This section shall not require the county to expend more than the amount set forth in subdivision (a) plus the amount set forth in subdivision (b), nor shall it require the state to expend more than the amount of the match set forth in subdivision (c).

(g) Notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code,

the department, without taking further regulatory action, shall implement this section by means of California Children's Services numbered letters.

SEC. 7. Section 123955 of the Health and Safety Code is amended to read:

123955. (a) The state and the counties shall share in the cost of administration of the California Children's Services Program at the local level.

(b) (1) The director shall adopt regulations establishing minimum standards for the administration, staffing, and local implementation of this article subject to reimbursement by the state.

(2) The standards shall allow necessary flexibility in the administration of county programs, taking into account the variability of county needs and resources, and shall be developed and revised jointly with state and county representatives.

(c) The director shall establish minimum standards for administration, staffing and local operation of the program subject to reimbursement by the state.

(d) Until July 1, 1992, reimbursable administrative costs, to be paid by the state to counties, shall not exceed 4.1 percent of the gross total expenditures for diagnosis, treatment and therapy by counties as specified in Section 123940.

(e) Beginning July 1, 1992, this subdivision shall apply with respect to all of the following:

(1) Counties shall be reimbursed by the state for 50 percent of the amount required to meet state administrative standards for that portion of the county caseload under this article that is ineligible for Medi-Cal to the extent funds are available in the State Budget for the California Children's Services Program.

(2) Counties shall be reimbursed by the state for 50 percent of the nonfederal share of the amount required to meet state administrative standards for that portion of the county caseload under this article that is enrolled in the Medi-Cal program pursuant to Section 14005.26 of the Welfare and Institutions Code or the Medi-Cal Access Program pursuant to Chapter 2 (commencing with Section 15810) of Part 3.3 of Division 9 of the Welfare and Institutions Code, and who are eligible for services under this article pursuant to subdivision (a) of Section 123870, to the extent that federal financial participation is available at the enhanced

federal reimbursement rate under Title XXI of the federal Social Security Act (42 U.S.C. Sec. 1397aa et seq.) and funds are appropriated for the California Children's Services Program in the State Budget.

(3) On or before September 15 of each year, each county program implementing this article shall submit an application for the subsequent fiscal year that provides information as required by the state to determine if the county administrative staff and budget meet state standards.

(4) The state shall determine the maximum amount of state funds available for each county from state funds appropriated for CCS county administration. If the amount appropriated for any fiscal year in the Budget Act for county administration under this article differs from the amounts approved by the department, each county shall submit a revised application in a form and at the time specified by the department.

(f) The department and counties shall maximize the use of federal funds for administration of the programs implemented pursuant to this article, including using state and county funds to match funds claimable under Title XIX or Title XXI of the federal Social Security Act (42 U.S.C. Sec. 1396 et seq.; 42 U.S.C. Sec. 1397aa et seq.).

SEC. 8. Section 14124.12 is added to the Welfare and Institutions Code, immediately following Section 14124.11, to read:

14124.12. (a) The department may enter into contracts for the purposes of undertaking administrative activities by the department's Mental Health and Substance Use Disorder Services Division concerning Parts 431, 433, 438, 440, 457, and 495 of Title 42 of the Code of Federal Regulations, as amended May 6, 2016, as published in the Federal Register (81 Fed. Reg. 27498), and any associated federal policy guidance issued by the federal Centers for Medicare and Medicaid Services.

(b) Contracts entered into or amended pursuant to subdivision (a) shall be exempt from Chapter 6 (commencing with Section 14825) of Part 5.5 of Division 3 of Title 2 of the Government Code, Section 19130 of the Government Code, and Part 2 (commencing with Section 10100) of Division 2 of the Public Contract Code and shall be exempt from the review or approval of any division of the Department of General Services.

(c) Contracts entered into pursuant to this section shall be publicly available pursuant to the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code).

(d) This section shall remain in effect only until January 1, 2020, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2020, deletes or extends that date.

SEC. 9. Section 14184.20 of the Welfare and Institutions Code is amended to read:

14184.20. (a) Consistent with federal law, the Special Terms and Conditions, and this article, the department shall implement the Medi-Cal 2020 demonstration project, including, but not limited to, all of the following components:

(1) The Global Payment Program, as described in Section 14184.40.

(2) The Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program, as described in Section 14184.50.

(3) The Whole Person Care pilot program, as described in Section 14184.60.

(4) The Dental Transformation Initiative, as described in Section 14184.70.

(b) In the event of a conflict between any provision of this article and the Special Terms and Conditions, the Special Terms and Conditions shall control.

(c) The department, as appropriate, shall consult with the designated public hospitals, district and municipal public hospitals, and other local governmental agencies with regard to the implementation of the components of the demonstration project under subdivision (a) in which they will participate, including, but not limited to, the issuance of guidance pursuant to subdivision (d).

(d) 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 article or the Special Terms and Conditions, in whole or in part, by means of all-county letters, plan letters, provider bulletins, or other similar instructions, without taking regulatory action. The department shall provide notification to the Joint Legislative Budget Committee and to the Senate Committees on Appropriations, Budget and Fiscal Review, and Health, and the

Assembly Committees on Appropriations, Budget, and Health within 10 business days after the above-described action is taken. The department shall make use of appropriate processes to ensure that affected stakeholders are timely informed of, and have access to, applicable guidance issued pursuant to this authority, and that this guidance remains publicly available until all payments related to the applicable demonstration project component are finalized.

(e) For purposes of implementing this article or the Special Terms and Conditions, the department may enter into exclusive or nonexclusive contracts, or amend existing contracts, on a bid or negotiated basis. Contracts entered into or amended pursuant to this subdivision shall be exempt from Chapter 6 (commencing with Section 14825) of Part 5.5 of Division 3 of Title 2 of the Government Code and Part 2 (commencing with Section 10100) of Division 2 of the Public Contract Code, and shall be exempt from the review or approval of any division of the Department of General Services.

(f) During the course of the demonstration term, the department shall seek any federal approvals it deems necessary to implement the demonstration project and this article. This shall include, but is not limited to, approval of any amendment, addition, or technical correction to the Special Terms and Conditions, and any associated state plan amendment, as deemed necessary. This article shall be implemented only to the extent that any necessary federal approvals are obtained and federal financial participation is available and is not otherwise jeopardized.

(g) The director may modify any process or methodology specified in this article to the extent necessary to comply with federal law or the Special Terms and Conditions of the demonstration project, but only if the modification is consistent with the goals set forth in this article for the demonstration project, and its individual components, and does not significantly alter the relative level of support for participating entities. If the director, after consulting with those entities participating in the applicable demonstration project component and that would be affected by that modification, determines that the potential modification would not be consistent with the goals set forth in this article or would significantly alter the relative level of support for affected participating entities, the modification shall not be made and the director shall execute a declaration stating that this determination

has been made. The director shall retain the declaration and provide a copy, within five working days of the execution of the declaration, to the fiscal and appropriate policy committees of the Legislature, and shall work with the affected participating entities and the Legislature to make the necessary statutory changes. The director shall post the declaration on the department's Internet Web site and the director shall send the declaration to the Secretary of State and the Legislative Counsel.

(h) In the event of a determination that the amount of federal financial participation available under the demonstration project is reduced due to the application of penalties set forth in the Special Terms and Conditions, the enforcement of the demonstration project's budget neutrality limit, or other similar occurrence, the department shall develop the methodology by which payments under the demonstration project shall be reduced, in consultation with the potentially affected participating entities and consistent with the standards and process specified in subdivision (g). To the extent feasible, those reductions shall protect the ability to claim the full amount of the total computable disproportionate share allotment through the Global Payment Program.

(i) During the course of the demonstration term, the department may work to develop potential successor payment methodologies that could continue to support entities participating in the demonstration project following the expiration of the demonstration term and that further the goals set forth in this article and in the Special Terms and Conditions. The department shall consult with the entities participating in the payment methodologies under the demonstration project, affected stakeholders, and the Legislature in the development of any potential successor payment methodologies pursuant to this subdivision.

(j) The department may seek to extend the payment methodologies described in this article through demonstration year 16 or to subsequent time periods by way of amendment or extension of the demonstration project, amendment to the Medi-Cal State Plan, or any combination thereof, consistent with the applicable federal requirements. This subdivision shall only be implemented after consultation with the entities participating in, or affected by, those methodologies, and only to the extent that any necessary federal approvals are obtained and federal financial participation is available and is not otherwise jeopardized.

(k) (1) Notwithstanding any other law, and to the extent authorized by the Special Terms and Conditions, the department may claim federal financial participation for expenditures associated with the designated state health programs identified in the Special Terms and Conditions for use solely by the department as specified in this subdivision.

(2) Any federal financial participation claimed pursuant to paragraph (1) shall be used to offset applicable General Fund expenditures. These amounts are hereby appropriated to the department and shall be available for transfer to the General Fund for this purpose.

(3) An amount of General Fund moneys equal to the federal financial participation that may be claimed pursuant to paragraph (1) is hereby appropriated to the Health Care Deposit Fund for use by the department.

Approved _____, 2016

Governor