

AMENDED IN ASSEMBLY APRIL 7, 1997
AMENDED IN ASSEMBLY MARCH 31, 1997

CALIFORNIA LEGISLATURE—1997–98 REGULAR SESSION

ASSEMBLY BILL

No. 217

**Introduced by Assembly Members Firestone, Lempert,
Papan, and Thomson**
(Coauthors: Senators O'Connell, Sher, and Thompson)

February 4, 1997

An act to amend Sections 14087.5 and 14499.5 of the Welfare and Institutions Code, relating to Medi-Cal.

LEGISLATIVE COUNSEL'S DIGEST

AB 217, as amended, Firestone. Medi-Cal.

Existing law permits the State Department of Health Services to enter into a contract with the Santa Barbara Regional Health Authority for the implementation of a pilot program for the provision of Medi-Cal benefits.

Existing law also specifies that California ~~Childrens~~ *Children's Services (CCS) Program* ~~program~~ services shall not be incorporated into any Medi-Cal managed care contract entered into after August 1, 1994, until 3 years after the effective date of the contract.

This bill would specify that any renewal or extension of a contract or successive contract entered into by a county health system or the Santa Barbara Regional Health Authority shall not be considered a Medi-Cal managed care contract if the original contract was entered into on or before May 1,

1994, the contract incorporates CCS services, and all CCS program guidelines, standards, and regulations are adhered to or exceeded, *and the CCS program retains case management services for CCS eligible children for CCS eligible conditions, provided the case management is consistent with CCS statutes and regulations for case management of those conditions.*

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

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

1 SECTION 1. The Legislature finds and declares the
2 following:

3 (a) The Santa Barbara Regional Health Authority, as
4 the administrator of the Medi-Cal program in Santa
5 Barbara County since 1983, and the Health Plan of San
6 Mateo, as the administrator of the Medi-Cal program in
7 San Mateo County since 1987, have both been recognized
8 as national models for the effective and innovative
9 administration of medicaid managed care. The Solano
10 Partnership Healthplan, as the administrator of the
11 Medi-Cal program in Solano County since 1994, has
12 established a similar record of success since its inception.

13 (b) The California Children’s Services program has
14 been included in all three programs since their inception,
15 and the program has benefited from innovations,
16 efficiencies, and local administration provided by these
17 programs.

18 (c) As the Santa Barbara Regional Health Authority’s
19 success and viability has been demonstrated for over 14
20 years, as has the Health Plan of San Mateo over 10 years,
21 and the Solano Partnership Healthplan over three years,
22 it was never the intent of the Legislature to apply Section
23 14094.3 of the Welfare and Institutions Code, effecting
24 the incorporation of the California Children’s Services
25 program into new Medi-Cal managed care plans, to these
26 programs.

27 (d) In order to maintain the continuity of the existing
28 program, and to allow for any program improvements to



1 be developed and implemented by both the plans and the
2 local California Children's Services programs, the
3 Legislature declares its intent to exempt these from
4 Section 14094.3 of the Welfare and Institutions Code.

5 SEC. 2. Section 14087.5 of the Welfare and Institutions
6 Code is amended to read:

7 14087.5. (a) The California Medical Assistance
8 Commission may negotiate exclusive contracts with any
9 county which seeks to provide, or arrange for the
10 provision of the health care services provided under this
11 chapter. The California Medical Assistance Commission
12 shall establish regulations concerning the time for
13 submittal of proposed plans for a contract by a county,
14 and for the time by which the California Medical
15 Assistance Commission shall decide whether or not to
16 accept the county's proposal.

17 (b) The department shall seek all federal waivers
18 necessary to allow for federal financial participation in
19 expenditures under this article. This article shall not be
20 implemented until all necessary waivers have been
21 approved by the federal government.

22 (c) Any renewal or extension of a contract, or
23 successive contract, made pursuant to this section shall
24 not be considered a Medi-Cal managed care contract
25 entered into on or after August 1, 1994, for the purposes
26 of Section 14094.3, if all of the following apply:

27 (1) The original contract was entered into on or before
28 May 1, 1994.

29 (2) The original contract, any extension or renewal,
30 and any successive contract incorporate California
31 Children Services program services.

32 (3) All California Children's Services program
33 guidelines, standards, and regulations are adhered to or
34 exceeded.

35 (4) *The California Children's Services program shall*
36 *retain case management services for California*
37 *Children's Services eligible children for California*
38 *Children's Services eligible conditions, provided the case*
39 *management services shall be consistent with California*
40 *Children's Services statutes and regulations for case*



1 *management of these conditions. California Children's*
2 *Services case management shall be fully coordinated with*
3 *the County Organized Health System and shall not limit*
4 *the flexibility of the local health department or the*
5 *County Organized Health System to improve services to*
6 *this population.*

7 SEC. 3. Section 14499.5 of the Welfare and Institutions
8 Code is amended to read:

9 14499.5. (a) (1) In carrying out the intent of this
10 article, the director shall contract for the operation of one
11 local pilot program. Special consideration shall be given
12 to approving a program contracted through county
13 government in Santa Barbara County.

14 (2) Notwithstanding the limitations contained in
15 Section 14490, the director may enter into, or extend,
16 contracts with the local pilot program in Santa Barbara
17 County pursuant to paragraph (1) for periods that do not
18 exceed three years.

19 (b) The establishment of a pilot program pursuant to
20 this section shall be contingent upon the availability of
21 state and federal funding. The program shall include the
22 following components:

23 (1) Local authority for administration, fiscal
24 management, and delivery of services, but not including
25 eligibility determination.

26 (2) Physician case management.

27 (3) Cost containment through provider incentives
28 and other means.

29 (c) The program for the pilot project shall include a
30 plan and budget for delivery of services, administration,
31 and evaluation. During the first year of the pilot program,
32 the amount of the state contract shall equal 95 percent of
33 total projected Medi-Cal expenditures for delivery of
34 services and for administration based on fee-for-service
35 conditions in the program county. During the remaining
36 years of the pilot project Medi-Cal expenditures in the
37 program county shall be no more than 100 percent of total
38 projected expenditures for delivery of services and for
39 administration based on any combination of the following
40 paragraphs:



1 (1) Relevant prior fee-for-service Medi-Cal
2 experience in the program county.

3 (2) The fee-for-service Medi-Cal experience in
4 comparable counties or groups of counties.

5 (3) Medi-Cal experience of the pilot project in the
6 program county if, as determined by the department, the
7 scope, level, and duration of, and expenditures for, any
8 services used in setting the rates under this paragraph
9 would be comparable to fee-for-service conditions were
10 they to exist in the program county and would be more
11 actuarially reliable for use in ratesetting than data
12 available for use in applying paragraph (1) or (2).

13 The projected total expenditure shall be determined
14 annually according to an acceptable actuarial process.
15 The data elements used by the department shall be
16 shared with the proposed contractor.

17 (d) The director shall accept or reject the proposal
18 within 30 days after the date of receipt. If a decision is
19 made to reject the proposal, the director shall set forth the
20 reasons for this decision in writing. Upon approval of the
21 proposal, a contract shall be written within 60 days. After
22 signature by the local contractor, the State Department
23 of Health Services, the Department of General Services,
24 and the Department of Finance shall execute the
25 contract within 60 days.

26 (e) The director shall seek the necessary state and
27 federal waivers to enable operation of the program. If the
28 federal waivers for delivery of services under this plan are
29 not granted, the department is under no obligation to
30 contract for implementation of the program.

31 (f) For purposes of Section 1343 of the Health and
32 Safety Code, the Santa Barbara Regional Health
33 Authority shall be considered to be a county-operated
34 pilot program contracting with the State Department of
35 Health Services pursuant to this article, and
36 notwithstanding any other provision of law, during the
37 period that this contract is in effect, the contractor shall
38 be exempt from the provisions of the Knox-Keene Health
39 Care Service Plan Act of 1975, Chapter 2.2 (commencing
40 with Section 1340) of Division 2 of the Health and Safety



1 Code, relative to the services provided to Medi-Cal
2 beneficiaries under the terms and provisions of the pilot
3 program.

4 (g) Dental services may be included within the
5 services provided in this pilot program.

6 (h) Any federal demonstration funding for this pilot
7 program shall be made available to the county within 60
8 days upon notification of the award without the state
9 retaining any portion not previously specified in the grant
10 application as submitted.

11 (i) (1) (A) Commencing January 1, 1996, the
12 California Medical Assistance Commission may negotiate
13 exclusive contracts and rates on behalf of the department
14 with the Santa Barbara Regional Health Authority in the
15 implementation of this section.

16 (B) Contracts entered into under this article may be
17 on a noncompetitive bid basis and shall be exempt from
18 Chapter 2 (commencing with Section 10290) of Part 2 of
19 Division 2 of the Public Contract Code. These contracts
20 shall have no force or effect unless approved by the
21 Department of Finance.

22 (C) The department shall enter into contracts
23 pursuant to this article, and shall be bound by the terms
24 and conditions related to the rates negotiated by the
25 negotiator.

26 (2) The department shall implement this subdivision
27 to the extent that the following apply:

28 (A) Its implementation does not revise the status of
29 the pilot program as a federal demonstration project.

30 (B) Existing federal waivers apply to the pilot
31 program as revised by this subdivision, or the federal
32 government extends the applicability of the existing
33 federal waivers or authorizes additional federal waivers
34 for the implementation of the program.

35 (3) The implementation of this subdivision shall not
36 affect the pilot program's having met any of the
37 requirements of Part 3.5 (commencing with Section
38 1175) of Division 1 of the Health and Safety Code and this
39 division applicable to the pilot program with respect to



1 the negotiations of contracts and rates by the
2 department.

3 (j) An independent evaluation of the program shall
4 be conducted and a report submitted to the Legislature
5 and the director by January 1, 1988. The independent
6 evaluation of the program commissioned by the federal
7 Health Care Financing Administration may fulfill the
8 purposes of this part. This evaluation and report shall
9 include, but is not limited to, the following:

10 (1) An assessment of the cost of medical services as
11 compared to the cost of the existing Medi-Cal
12 fee-for-service delivery mode.

13 (2) An assessment of utilization levels of specialist and
14 emergency services.

15 (3) An assessment of the quality of care.

16 (4) Recommendations for future policy on delivery of
17 services.

18 (k) Any renewal or extension of a contract, or
19 successive contract, made pursuant to this section shall
20 not be considered a Medi-Cal managed care contract
21 entered into on or after August 1, 1994, for the purposes
22 of Section 14094.3, if all of the following apply:

23 (1) The original contract was entered into on or before
24 May 1, 1994.

25 (2) The original contract, any extension or renewal,
26 and any successive contract incorporate California
27 Children Services program services.

28 (3) All California Children's Services program
29 guidelines, standards, and regulations are adhered to or
30 exceeded.

31 (4) *The California Children's Services program shall*
32 *retain case management services for California*
33 *Children's Services eligible children for California*
34 *Children's Services eligible conditions, provided the case*
35 *management is consistent with California Children's*
36 *Services statutes and regulations for case management of*
37 *these conditions. California Children's Services case*
38 *management shall be fully coordinated with the Santa*
39 *Barbara Regional Health Authority and shall not limit the*



1 *flexibility of the local health department or the authority*
2 *to improve services to this population.*
3 *(5) The county has entered into an agreement or*
4 *memorandum of understanding with the California*
5 *Children's Services program concerning the provision of*
6 *California Children's covered services.*

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