

**Senate Bill No. 229**

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Passed the Senate July 18, 1997

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*Secretary of the Senate*

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Passed the Assembly July 14, 1997

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*Chief Clerk of the Assembly*

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This bill was received by the Governor this \_\_\_\_ day  
of \_\_\_\_\_, 1997, at \_\_\_\_ o'clock \_\_M.

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*Private Secretary of the Governor*

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## CHAPTER \_\_\_\_

An act to amend Section 14087.325 of the Welfare and Institutions Code, relating to human services.

## LEGISLATIVE COUNSEL'S DIGEST

SB 229, Johnston. Federally qualified health centers.

Existing law provides for the Medi-Cal program, administered by the State Department of Health Services, under which qualified low-income persons are provided with health care services.

Under existing law and regulations one of the methods for the provision of Medi-Cal services is through contracts between the department and local initiatives.

Existing law provides that the department require, as a condition of obtaining a contract with the department, any local initiative, as defined, to offer a subcontract to any federally qualified health center providing specified services that operates in the service area covered by the local initiative's contract with the department.

Existing law provides that, if specified conditions are met, the department shall, for a local initiative commencing operation during the 1995-96 fiscal year, within 3 months after 6 months of plan operation, perform an interim reconciliation to determine the variance between the funds paid to the local initiative in its capitation rates to reflect the dollar value of federally qualified health center interim rate payments made to these entities in the Medi-Cal fee-for-service program and the amount that the plan has paid to these centers.

Existing law also requires the department to perform a final reconciliation after the initial contract period ending September 30, 1997, in accordance with specified requirements.

This bill would revise those provisions, and would require the department to perform reconciliations for each local plan submitting required expenditure data in the form and manner required by the department after the first 6 months of operation and annually thereafter,



subject to an annual reconciliation audit, and would require the finalization of the payments to or recoupments from the local initiative.

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

SECTION 1. Section 14087.325 of the Welfare and Institutions Code is amended to read:

14087.325. (a) The department shall require, as a condition of obtaining a contract with the department, that any local initiative, as defined in subdivision (v) of Section 53810 of Title 22 of the California Code of Regulations, offer a subcontract to any entity defined in Section 1396d (1)(2)(B) of Title 42 of the United States Code providing services as defined in Section 1396d(a)(2)(C) of Title 42 of the United States Code and operating in the service area covered by the local initiative's contract with the department. These entities are also known as federally qualified health centers.

(b) Except as provided, the subcontracts offered pursuant to subdivision (a) by a local initiative shall be on the same terms and conditions offered to other subcontractors providing a similar scope of service.

(c) The department shall provide incentives in the competitive application process described in paragraph (1) of subdivision (b) of Section 53800 of Title 22 of the California Code of Regulations, to encourage potential commercial plans as defined in subdivision (h) of Section 53810 of Title 22 of the California Code of Regulations to offer subcontracts to these entities.

(d) Pursuant to Section 1396b(m)(A)(ix) of Title 42 of the United States Code, reimbursement for services provide pursuant to a subcontract with a local initiative or a commercial plan shall be on the basis of the federally qualified health centers reasonable cost or, at the election of the center, reimbursement shall be based on terms negotiated between the center and the individual local initiative or commercial plan. If the center elects to be reimbursed on the basis of its reasonable cost as a term of the subcontract, the subcontract between the center and



a local initiative or the center and a commercial plan shall provide that the center shall be reimbursed at the interim per visit rate established for the center by the department or at a capitated or fee-for-service rate that is the equivalent of the interim rate. The subcontracts entered into pursuant to these requirements shall be for the provision of all ambulatory services provided by the federally qualified health center and covered by the local initiative or commercial plan's contract with the department. Each subcontract shall provide that the center keep a record of the number of visits by plan members separate from visits of Medi-Cal beneficiaries who are not members of that plan.

(e) (1) (A) On an annual basis, the department shall perform a reconciliation to determine the federally qualified health center's reasonable cost and shall pay to or recover from the center the difference between the reimbursement paid by a local initiative or a commercial plan pursuant to any subcontracts with the entity and the entity's reasonable cost in relation to the number of visits to the entity by plan members.

(B) In addition, to the extent practicable, within six months of the end of the fiscal year, the department shall perform another reconciliation and make payments to, or obtain a recovery from, the federally qualified health center, as provided for in subparagraph (A).

(2) In calculating the capitation rates to be paid to local initiatives and the commercial plans, the department shall include the dollar amount of the interim rate payments made to these entities in the Medi-Cal fee-for-service program.

(f) Effective July 1, 1996, the department shall update the rates for local initiatives to reflect more recent federally qualified health center costs and utilization data. Each local initiative contract shall limit risk associated with subcontracting with federally qualified health centers. The contract shall require the department to reimburse each local initiative's aggregate total payments to subcontracting federally qualified health centers in excess of 110 percent of the dollar value of



interim rate payments for these centers paid by the department in the capitation rates paid to the local initiative. Each local initiative shall reimburse the department for the aggregate total payments to subcontracting federally qualified health centers below 90 percent of the dollar value of interim rate payments for these centers made by the department in the capitation rates paid to the local initiative. Provided that the local initiative plan submits, within four months after the first six months of operation, and annually thereafter within four months after the last day of each fiscal year, required expenditure data to the department in the form and manner specified by the department the department shall perform reconciliations to determine the variance between the funds that have been paid to the local initiative in its capitation rates to reflect the dollar value of federally qualified health center interim rate payments made to these entities in the Medi-Cal fee-for-service program, and the amount that the plan has paid to subcontracting federally qualified health centers. For each reconciliation, if, pursuant to subcontracts with federally qualified health centers that have been reviewed and approved by the department, the local initiative has paid subcontracting federally qualified health centers in the aggregate an amount greater than 110 percent of the amounts included in the local initiative's capitation rates for this purpose, the department shall pay the local initiative the amount in excess of 110 percent. For each reconciliation, if the local initiative has paid subcontracting federally qualified health centers in the aggregate an amount less than 90 percent of the dollar value of federally qualified health center interim rate payments included in the local initiative's capitation rates, the local initiative shall refund the amount below 90 percent to the department. All reconciliations shall be subject to an annual reconciliation audit, at which time payments to or recoupments from the local initiative shall be finalized.

(g) The reconciliations between the department and the local initiatives as described in this section shall not be



made in contract periods beginning on or after October 1, 2000.



Approved \_\_\_\_\_, 1997

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*Governor*

