

**Department of Health Care Services
Proposed Trailer Bill Legislation**

**643 - Graduate Medical Education Payment Program
for Designated Public Hospitals**

Section 14105.29 of the Welfare and Institutions Code is added to read:

14105.29 (a)(1) Subject to subdivision (e), additional Medi-Cal payments shall be made to designated public hospitals and their affiliated government entities, in recognition of the Medi-Cal managed care share of graduate medical education costs. To the extent permissible under federal law, the department shall make such payments directly to the designated public hospitals and their applicable affiliated government entities.

(2) The graduate medical education payments shall consist of the following components:

(A) Direct graduate medical education payments made in recognition and support of the direct costs incurred in the operation of graduate medical education programs, which may include, but are not limited to, salaries, benefits, physician oversight, and allocated overhead costs incurred for interns and residents in medicine, osteopathy, dentistry, podiatry, nursing, and allied health/paramedical programs.

(B) Indirect graduate medical education payments made in recognition and support of the increased operating and patient care costs associated with teaching programs.

(3) Graduate medical education payments shall support, recognize and enhance the role of designated public hospitals and their affiliated government entities in the training of interns, residents and fellows who are enrolled in accredited medical or dental programs, in advanced practice nursing or other allied health professional programs, or who are pursuing advanced specialty training.

(4) The graduate medical education payments shall be inflation-adjusted.

(5) The department shall determine the maximum amount of graduate medical education payments and distribute to participating designated public hospitals and their affiliated government entities, as applicable, in accordance with a methodology developed in consultation with the designated public hospitals.

(6) Interim graduate medical education payments shall be made on a quarterly basis, and reconciled at the end of the fiscal year to determine the final amounts due based on information reported to the department by the designated public hospitals. To the extent practicable, the department shall seek to minimize the administrative burden on participating designated public hospitals associated with reporting and finalizing graduate medical education payments.

(7) Graduate medical education payments provided pursuant to this section shall not supplant amounts that would otherwise be payable by the department to Medi-Cal managed care plans or to designated public hospitals and their affiliated government entities, or by Medi-Cal managed care plans to designated public hospitals and their affiliated government entities. A Medi-Cal managed care plan shall not withhold or otherwise reduce other payments to a designated public hospital or its affiliated government entities as a result of implementation of payment programs pursuant to this section.

(b) Subject to subdivision (e), the department may, in consultation with designated public hospitals, seek federal approval to provide for other forms of graduate medical education payments to designated public hospitals and their affiliated government entities, including payments that reflect the volume of fee-for-service Medi-Cal services or revenue to the extent the fee-for-service payments do not otherwise recognize graduate medical education costs, or incentive payments.

(c) The nonfederal share of payments under this section shall consist of voluntary intergovernmental transfers of funds provided by designated public hospitals or their affiliated government entities, or other eligible public entities, including those described in section 14164, in accordance with this section. No state General Fund moneys shall be used to fund the nonfederal share of payments under this section.

(1) The Designated Public Hospital (DPH) Graduate Medical Education (GME) Special Fund is hereby established in the State Treasury. Notwithstanding Section 13340 of the Government Code, moneys deposited in the DPH GME Special Fund shall be continuously appropriated, without regard to fiscal year, to the department for the purposes specified in this section. All funds derived pursuant to this section shall be deposited in the State Treasury to the credit of the DPH GME Special Fund.

(2) The DPH GME Special Fund shall consist of moneys that a designated public hospital or affiliated government entity or other public entity, as applicable, elects to transfer to the department for deposit into the fund, to the extent permitted under Section 433.51 of Title 42 of the Code of Federal Regulations and any other applicable federal Medicaid laws. Except as otherwise provided in paragraph (3), moneys derived from these intergovernmental transfers in the DPH GME Special Fund shall be used as the source for the nonfederal share of graduate medical education payments authorized under this section. The timing of the intergovernmental transfers shall be determined by the department in consultation with the transferring entities. Any intergovernmental transfer of funds provided for purposes of the graduate medical education payments shall be made as specified in this section. Upon providing any intergovernmental transfer of funds, each transferring entity shall certify that the transferred funds qualify for federal financial participation pursuant to applicable federal Medicaid laws, and in the form and manner as required by the department.

(3) The department shall assess a fee of five percent of the aggregate non-federal share that would be associated with the graduate medical education payments made

pursuant to this section as if the federal matching assistance percentage were fifty percent. Fees assessed pursuant to this paragraph shall be used to reimburse the department for the administrative costs associated with the graduate medical education payments and to fund expenditures for the support of the Medi-Cal program. The department shall determine the amount of such fees to collect from each designated public hospital and its affiliated government entities so that the aggregate total is reached, following consultation with the designated public hospitals and affiliated government entities.

(4) The department shall claim federal financial participation for graduate medical education payments under this section using moneys derived from intergovernmental transfers made pursuant to this section, and deposited in the DPH GME Special Fund to the full extent permitted by law. Except as provided in paragraph (3) , the moneys disbursed from the fund, and all associated federal financial participation, shall be distributed only to designated public hospitals and their affiliated government entities, as applicable. In the event federal financial participation is not available with respect to a payment under this section and either is not obtained, or results in a recoupment of payments already made, the department shall return any intergovernmental transfer fund amounts associated with the payment for which federal financial participation is not available to the applicable transferring entities within 14 days from the date of the associated recoupment or other determination, as applicable.

(5) Any intergovernmental transfer of funds made pursuant to this section shall be considered voluntary for purposes of all federal laws.

(d) For purposes of this section, the following definitions shall apply:

(1) "Designated public hospitals" mean those hospitals identified in subdivision (f) of Section 14184.10.

(2) "Designated public hospitals and their affiliated government entities" mean those hospitals identified in subdivision (f) of Section 14184.10, and the government entities and agencies with which they are affiliated, inclusive of their affiliated government-operated physician practice groups, affiliated government-operated clinics and other settings that provide clinical training, and affiliated government-operated medical and professional training schools and programs.

(e)(1) This section 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.

(2) After consultation with the designated public hospitals, the director may modify the requirements set forth in this section to the extent necessary to meet federal requirements for graduate medical education payments for designated public hospitals and their affiliated government entities or to maximize federal financial participation available under such a program.

(f)(1) The department shall seek any necessary federal approvals from the Centers for Medicare & Medicaid Services, through state plan amendments or otherwise, for graduate medical education payments, effective no sooner than January 1, 2017, in accordance with this section.

(2) The department shall consult with the designated public hospitals with regard to the development and implementation, and any subsequent modification, of the payment programs established pursuant to this section.

(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 implement, interpret, or make specific this section by means of all-county letters, plan letters, provider bulletins, or other similar instructions, without taking regulatory action. The department shall timely inform, or provide access to, applicable guidance issued pursuant to this authority to affected designated public hospitals and their affiliated government entities. This guidance shall remain publicly available until all payments made pursuant to this section are finalized.