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An act to amend Section 14166.61 of the Welfare and Institutions Code,
relating to Medi-Cal.



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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 14166.61 of the Welfare and Institutions Code is amended to read:

14166.61. (a) For successor demonstration year 6 and subsequent successor demonstration years, each designated public hospital described in subdivision (c) of Section 14166.3 shall be eligible to receive an allocation of federal Medicaid funding from the applicable federal disproportionate share hospital allotment pursuant to this section. The department shall establish the allocations and claim the federal funding in a manner that maximizes federal Medicaid funding to the state during the term of the successor demonstration project, and shall consider, at a minimum, all of the following factors:

(1) The optimal use of intergovernmental transfer-funded payments described in subdivision (d).

(2) Minimizing the need to redistribute federal funds that are based on the certified public expenditures of designated public hospitals as described in paragraph (1) of subdivision (c).

(b) Disproportionate share hospital allocations for designated public hospitals shall be determined for each successor demonstration year as set forth below. With respect to successor demonstration year 10, allocations shall be determined separately for each of the periods of July 1, 2014, through June 30, 2015, and July 1, 2015, through October 31, 2015.



(1) The department shall determine the maximum federal disproportionate share hospital allotment that is available under this section for the successor demonstration year.

(2) An initial allocation shall be made to Kern Medical Center for the periods and in the amounts specified below:

(A) For successor demonstration year 6, the amount of eight million dollars (\$8,000,000).

(B) For successor demonstration years 7 through 9, the amount of twelve million dollars (\$12,000,000).

(C) For the period of July 1, 2014, through June 30, 2015, the amount of twelve million dollars (\$12,000,000).

(D) For the period of July 1, 2015, through October 31, 2015, the amount of four million dollars (\$4,000,000).

(3) Each designated public hospital shall be allocated an amount per hospital discharge as specified in this paragraph. The number of discharges per category occurring in the relevant period shall be derived from each hospital's data as reported pursuant to Section 14166.8. The reported discharges shall relate to the same hospital services for which costs are calculated for purposes of this section.

(A) One thousand one hundred dollars (\$1,100) per hospital discharge with respect to an uninsured individual.

(B) Nine hundred dollars (\$900) per hospital discharge with respect to an individual enrolled in the Low Income Health Program.



(C) Seven hundred fifty dollars (\$750) per hospital discharge with respect to a Medi-Cal beneficiary, excluding discharges for which Medicare payments were received.

(4) The remaining available federal disproportionate share hospital allotment, after the allocations are made pursuant to paragraphs (2) and (3), shall be allocated to designated public hospitals as follows:

(A) The department shall calculate for each designated public hospital an initial DSH claiming ability amount. For the purposes of this article, the "initial DSH claiming ability amount" means the total sum of the hospital's uncompensated Medi-Cal, Low Income Health Program, and uninsured costs of hospital services that are reported as eligible certified public expenditures for disproportionate share hospital payments pursuant to Section 14166.8. For hospitals described in subdivision (d), the total sum shall be multiplied by 175 percent.

(B) The remaining available federal disproportionate share hospital allotment shall be allocated pro rata among the designated public hospitals based upon each hospital's initial DSH claiming ability amount as determined pursuant to subparagraph (A).

(c) Each designated public hospital shall receive its allocation of federal disproportionate share hospital payments in one or both of the following forms:

(1) Distributions from the Demonstration Disproportionate Share Hospital Fund established pursuant to subdivision (d) of Section 14166.9, consisting of federal funds claimed and received by the department, pursuant to clauses (ii) and (iii) of subparagraph (A) of paragraph (2) of subdivision (a) of Section 14166.9 based on designated public



hospitals' certified public expenditures up to 100 percent of uncompensated Medi-Cal and uninsured costs. These distributions may be made to a designated public hospital independent of the amount of uncompensated Medi-Cal and uninsured costs certified as public expenditures by that hospital pursuant to Section 14166.8.

(2) Intergovernmental transfer-funded payments, as described in subdivision (d). For purposes of determining whether the hospital has received its allocation of federal disproportionate share hospital payments established under this section, only the federal share of intergovernmental transfer-funded payments shall be considered.

(d) Designated public hospitals that meet the requirements of Section 1396r-4(b)(1)(A) of Title 42 of the United States Code regarding the Medicaid inpatient utilization rate or Section ~~1396r-4(b)(1)(B)~~ 1396r-4(b)(1)(B) of Title 42 of the United States Code regarding the low-income utilization rate, may receive intergovernmental transfer-funded disproportionate share hospital payments as follows:

(1) The department shall establish the amount of the hospital's intergovernmental transfer-funded disproportionate share hospital payment. The total amount of that payment, consisting of the federal and nonfederal components, shall in no case exceed an amount equal to 75 percent of the hospital's uncompensated Medi-Cal, Low Income Health Program, and uninsured costs of hospital services, determined in accordance with the Special Terms and Conditions for the successor demonstration project and the applicable provisions of the Medi-Cal State Plan.

(2) A transfer amount shall be determined for each hospital that is subject to this subdivision, equal to the nonfederal share of the payment amount established for the hospital pursuant to paragraph (1). The transfer amount determined shall be paid by



the hospital, or the public entity with which the hospital is affiliated, and deposited into the Medi-Cal Inpatient Payment Adjustment Fund established pursuant to subdivision (b) of Section 14163. The sources of funds utilized for the transfer amount shall not include impermissible provider taxes or donations as defined under Section 1396b(w) of Title 42 of the United States Code or other federal funds. For this purpose, federal funds do not include delivery system reform incentive pool payments or patient care revenue received as payment for services rendered under programs such as designated state health programs, the Low Income Health Program, Medicare, or Medicaid.

(3) The department shall pay the amounts established pursuant to paragraph (1) to each hospital using the transfer amounts deposited pursuant to paragraph (2) as the nonfederal share of those payments.

(e) The total federal disproportionate share hospital funds allocated under this section to designated public hospitals with respect to each successor demonstration year, in combination with the federal share of disproportionate share hospital payment adjustments made to nondesignated public hospitals pursuant to Section 14166.16 and applicable provisions of the Medi-Cal State Plan for the same successor demonstration year, shall not exceed the applicable federal disproportionate share hospital allotment.

(f) (1) Each designated public hospital shall receive quarterly interim payments of its disproportionate share hospital allocation during the successor demonstration year, except that, with respect to the period of July 1, 2015, through October 31, 2015, the interim payment shall be made in October 2015. The determinations set forth in subdivisions (a) to (e), inclusive, shall be made on an interim basis prior to the start of



each successor demonstration year. The department shall use the same cost and statistical data used in determining the interim payments for Medi-Cal inpatient hospital services under Section 14166.4, and available payments and uncompensated and uninsured cost data, including data from the Medi-Cal paid claims file and the hospital's books and records, for the corresponding period.

(2) Prior to the distribution of payments in accordance with paragraph (1) and subdivisions (g) and (h) to a designated public hospital that is part of a hospital system containing multiple designated public hospitals licensed to the same governmental entity, the department shall consult with the applicable governmental entity. The department shall implement any adjustments to the payment distributions for the hospitals in that hospital system as requested by the governmental entity if the net effect of the requested adjustments for those hospitals is zero. These payment redistributions shall recognize the level of care provided to Medi-Cal and uninsured patients and shall maintain the viability and effectiveness of the hospital system.

(3) If the determinations pursuant to subdivision (g) or (h) for a successor demonstration year result in total federal disproportionate share hospital funds claimable for distribution to designated public hospitals under this section that, in combination with the federal share of disproportionate share hospital payment adjustments made to nondesignated public hospitals for the same successor demonstration year as described in subdivision (e), are less than the applicable federal disproportionate share hospital allotment, the department shall follow the steps described in subparagraphs (A) to (C), inclusive. For purposes of this paragraph, the determinations for successor demonstration year 10 shall be made for the period of July 1, 2014, through June 30, 2015.



(A) The maximum available federal disproportionate share hospital funds for designated public hospitals for the successor demonstration year shall be determined by subtracting the federal share of disproportionate share hospital payment adjustments payable to nondesignated public hospitals pursuant to Section 14166.16 and applicable provisions of the Medi-Cal State Plan for the same successor demonstration year from the applicable federal disproportionate share hospital allotment.

(B) A reduction factor shall be calculated by dividing the total federal disproportionate share hospital funds that are claimable for distributions to designated public hospitals pursuant to subdivision (g) or (h), as applicable, by the maximum available federal disproportionate share hospital funds determined under subparagraph (A).

(C) The reduction factor calculated under subparagraph (B) shall be multiplied by the applicable allocation amount specified in paragraph (2) of subdivision (b), by the applicable amount per discharge specified in paragraph (3) of subdivision (b), and by the remaining available allotment otherwise allocable under paragraph (4) of subdivision (b). The total of these allocation amounts shall be incorporated as the payment distributions to be made pursuant to subdivision (g) or (h), as applicable.

(4) With respect to the period of July 1, 2014, through June 30, 2015, and notwithstanding subdivision (e) of Section 14184.30, if a final audit, reconciliation, or judicial or administrative determination is made or implemented subsequent to the applicable finalization date set forth in paragraph (1) of subdivision (e) of Section 14184.30 and results in federal disproportionate share hospital funds distributable to



designated public hospitals in addition to the aggregate amount distributed pursuant to paragraph (3), the department shall proceed as follows:

(A) The department shall perform revised distribution calculations pursuant to subdivision (b) and, if applicable, paragraph (3).

(B) The amounts that would be allocated to each designated public hospital under the revised distribution calculations in subparagraph (A) shall be compared to the amounts previously distributed to the hospital for the same successor demonstration year.

(C) The additional federal disproportionate share hospital funds shall be distributed to those designated public hospitals to which additional amounts would be due under the revised distribution calculations.

(D) The timing of the adjustments under this paragraph shall be determined by the department in consultation with the affected designated public hospitals.

(E) Notwithstanding any other law, if the affiliated governmental entity for the designated public hospital is a county subject to Article 12 (commencing with Section 17612.1) of Chapter 6 of Part 5, the department, in consultation with the affected designated public hospital and the Department of Finance, shall determine how to account for whether any additional payment amount distributed to the designated public hospital pursuant to subparagraph (C) would otherwise have affected, if at all, the applicable county's redirection obligation for the 2014–15 fiscal year pursuant to paragraphs (4) and (5) of subdivision (a) of Section 17612.3 and shall determine which adjustments, if any, are necessary to either the repayment amount or the applicable county's redirection obligation. For purposes of this subparagraph, subdivision (f) of



Section 17612.2 of this code and paragraph (7) of subdivision (e) of Section 101853 of the Health and Safety Code shall apply.

(g) No later than April 1 following the end of the relevant reporting period for the successor demonstration year, the department shall undertake an interim reconciliation of payments based on Medicare and other cost, payment, discharge, and statistical data submitted by the hospital for the successor demonstration year, and shall adjust payments to the hospital accordingly.

(h) Each designated public hospital shall receive its disproportionate share hospital allocation, as computed pursuant to subdivisions (a) to (e), inclusive, subject to final audits of all applicable Medicare and other cost, payment, discharge, and statistical data for the successor demonstration year.

SEC. 2. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.



LEGISLATIVE COUNSEL'S DIGEST

Bill No.

as introduced, _____.

General Subject: Medi-Cal: federal disproportionate share hospital funds.

Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Care Services and under which qualified low-income persons receive health care benefits and services. The Medi-Cal program is, in part, governed and funded by federal Medicaid program provisions. Existing law establishes a demonstration project under the Medi-Cal program that maximizes the use of federal funds consistent with federal Medicaid law for distribution to specified hospitals that provide care to Medi-Cal beneficiaries and uninsured patients, in supplementation of Medi-Cal reimbursements. Under existing law, for the period of November 1, 2010, through October 31, 2015, a designated public hospital, as defined, receives federal disproportionate share hospital funds under this project, subject to interim reconciliation of payments, adjustments, and final audits, as specified.



This bill would require the department to follow specified calculations if the determinations pursuant to the interim reconciliation of payments, adjustments, and final audits result in total federal disproportionate share hospital funds claimable for distribution that, in combination with the payment adjustments made to nondesignated public hospitals, as defined, for the same year, are less than the applicable federal disproportionate share hospital allotment. The bill would also require the department to perform specified revised distribution calculations, with respect to the period of July 1, 2014, through June 30, 2015, if a final audit, reconciliation, or judicial or administrative determination is made or implemented subsequent to the applicable finalization date and results in additional federal disproportionate share hospital funds distributable to designated public hospitals, and would require the distribution of the additional funds to those hospitals.

This bill would require the department, if the affiliated governmental entity for the designated public hospital is a county subject to specified provisions relating to redirection of funds for services to indigent persons, to determine how to account for whether any additional payment amount distributed to the hospital would otherwise have affected, if at all, the county's redirection obligation for the 2014–15 fiscal year, as specified, and to determine any necessary adjustments.

This bill would require the department to consult with the affected designated public hospitals for these purposes, as specified. By creating new duties for county officials for purposes of consulting the department, 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, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

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

