

ASSEMBLY BILL

No. 342

Introduced by Assembly Member Bass
(Coauthor: Senator Steinberg)

February 18, 2009

An act to amend Section 14166 of the Welfare and Institutions Code, relating to Medi-Cal.

LEGISLATIVE COUNSEL'S DIGEST

AB 342, as introduced, Bass. Medi-Cal: hospital demonstration project.

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. The Medi-Cal program is, in part, governed and funded by federal Medicaid provisions.

Existing law establishes the Medi-Cal Hospital/Uninsured Care Demonstration Project Act, which revises hospital reimbursement methodologies under the Medi-Cal program in order to maximize the use of federal funds consistent with federal Medicaid law and stabilize the distribution of funding for hospitals that provide care to Medi-Cal beneficiaries and uninsured patients. Under existing law, the Legislature makes various findings and declarations with respect to the above provisions.

This bill would delete those findings and declarations.

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

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

1 SECTION 1. Section 14166 of the Welfare and Institutions
2 Code is amended to read:

3 14166. (a) This article shall be known and may be cited as the
4 “Medi-Cal Hospital/Uninsured Care Demonstration Project Act.”

5 (b) The Legislature finds and declares all of the following:

6 (1) The preservation of the state’s disproportionate share
7 hospitals and the University of California hospitals is of critical
8 importance to the health and welfare of the people of the state.

9 (2) These hospitals, as well as many nondisproportionate district
10 hospitals, are facing unprecedented financial challenges. Many
11 are facing significant budget deficits impeding their ability to
12 continue serving their essential role in the health care delivery
13 system, including providing care to Medi-Cal beneficiaries and
14 uninsured patients.

15 (3) The financial viability of these hospitals has been sustained
16 through funding that has been available for California’s
17 disproportionate share hospital program under Medi-Cal. Without
18 these funds, many of these hospitals would be unable to keep their
19 doors open and others would be forced to curtail services, thereby
20 impacting service to Medi-Cal beneficiaries and other needy
21 individuals.

22 (4) The federal Centers for Medicare and Medicaid Services
23 has indicated in negotiations with the State Department of Health
24 Services that it is changing its approach to federal funding of
25 Medicaid in various respects. For instance, the methodology that
26 many states, including California, have used to fund their
27 disproportionate share hospital programs successfully for more
28 than a decade has become the subject of negative attention by the
29 federal Centers for Medicare and Medicaid Services, which is
30 refusing to approve discretionary waivers and state plan
31 amendments that rely on these funding methods. Accordingly, the
32 State of California has proposed that the funding mechanism for
33 inpatient hospital services under Medi-Cal be modified to secure
34 federal approval and address continued and adequate funding to
35 the University of California and disproportionate share hospitals.
36 To this end, the state has negotiated a waiver from various federal
37 Medicaid requirements that will allow it to implement a
38 demonstration project using modified funding methodologies. The

1 ~~Medi-Cal Hospital/Uninsured Care Demonstration Project is~~
2 ~~intended to make up to \$3.3 billion in additional federal funds~~
3 ~~available to California safety net hospitals over a five-year period.~~

4 ~~(5) The methodologies used to fund the Medi-Cal program~~
5 ~~should maximize the use of federal funds consistent with federal~~
6 ~~Medicaid law in an effort to access all of the increased federal~~
7 ~~funding available under the Medi-Cal Hospital/Uninsured Care~~
8 ~~Demonstration Project.~~

9 ~~(6) The amount of Medi-Cal funding to the University of~~
10 ~~California hospitals and disproportionate share hospitals as a whole~~
11 ~~should not be less than the amount of funding for the 2004-05~~
12 ~~fiscal year. Similarly, the amount of Medi-Cal funding for the~~
13 ~~public disproportionate share hospitals as a group and for the~~
14 ~~private disproportionate share hospitals as a group should not be~~
15 ~~less than the amount of funding for the 2004-05 fiscal year.~~

16 ~~(7) The distributions of Medi-Cal funds should provide a~~
17 ~~predictable and stable amount of funding for these hospitals in~~
18 ~~order to allow them to engage in short-term and long-term~~
19 ~~planning. The distribution methodologies should be fair and~~
20 ~~equitable, and take into account utilization changes among~~
21 ~~hospitals.~~

22 ~~(8) The payments of Medi-Cal funds to these hospitals should~~
23 ~~be made regularly and periodically throughout the year in order~~
24 ~~to provide hospitals with necessary cashflow.~~