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An act to add Section 14105.29 to the Welfare and Institutions Code,
relating to Medi-Cal, and making an appropriation therefor.



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

SECTION 1. Section 14105.29 is added to the Welfare and Institutions Code, to read:

14105.29. (a) (1) Subject to subdivision (d), 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 these 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 and 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 (d), 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 into 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. 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, for reimbursing the department's administrative costs in implementing this section, and to otherwise support



the Medi-Cal program. The timing and amounts of the intergovernmental transfers shall be determined by the department in consultation with the transferring entities. The department shall determine the intergovernmental transfer amounts for each applicable state fiscal year such that they are sufficient to fund the nonfederal share of the associated graduate medical education payments for that year, plus five percent of the aggregate nonfederal share that would be associated with the graduate medical education payments made pursuant to this section in that applicable state fiscal year as if the federal medical assistance percentage were 50 percent. 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 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. 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.

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



(d) (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.

(e) (1) The department shall seek any necessary federal approvals from the federal Centers for Medicare and 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.



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

(1) “Designated public hospitals” means those hospitals identified in subdivision (f) of Section 14184.10.

(2) “Designated public hospitals and their affiliated government entities” means 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.



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LEGISLATIVE COUNSEL'S DIGEST

Bill No.

as introduced, _____.

General Subject: Medi-Cal: graduate medical education payment program.

Existing law establishes the Medi-Cal program, administered by the State Department of Health Care Services, under which health care services are provided to qualified, low-income persons. The Medi-Cal program is, in part, governed and funded by federal Medicaid program provisions. Under existing law, one of the methods by which Medi-Cal services are provided is pursuant to contracts with various types of managed care plans.

The bill, to the extent that any necessary federal approvals are obtained and federal financial participation is available, would require the State Department of Health Care Services to make graduate medical education (GME) payments, in recognition of the Medi-Cal managed care share of direct and indirect GME costs, to designated public hospital systems and their affiliated government entities, as defined, in accordance with a methodology developed in consultation with the designated public hospitals, as



specified. The bill would authorize the department, in consultation with designated public hospitals, to seek federal approval to provide other forms of GME payments, including payments that reflect volume of fee-for-service Medi-Cal services or revenue to the extent the fee-for-service payments do not otherwise recognize GME costs, or incentive payments. The bill would require the nonfederal share of payments under these provisions to consist of voluntary intergovernmental transfers of funds provided by designated public hospitals or their affiliated government entities, as defined, and would prohibit state General Fund moneys from being using to fund the nonfederal share of payments. The bill would require any intergovernmental funds that a designated public hospital or affiliated government entity or other public entity elects to transfer to the department to be deposited into the Designated Public Hospital Graduate Medical Education Special Fund, which the bill would establish in the State Treasury, to be continuously appropriated, thereby making an appropriation, to the department to be used as the nonfederal share of graduate medical education payments, to reimburse the department's administrative costs in implementing this program, and to otherwise support the Medi-Cal program. The bill would require the department to determine the intergovernmental transfer amounts for each applicable state fiscal year such that those amounts are sufficient to fund the nonfederal share of the associated graduate medical education payments plus 5% of the aggregate nonfederal share that would be associated with those payments in that applicable state fiscal year as if the federal medical assistance percentage were 50%.

The bill would require the department to seek any necessary federal approvals from the federal Centers for Medicare and Medicaid Services to be effective no sooner



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than January 1, 2017, and would authorize the department, after consultation with the designated public hospitals, to modify the requirements set forth in these provisions to the extent necessary to meet federal requirements for GME payments or to maximize federal financial participation, as specified.

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



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