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**WELFARE AND INSTITUTIONS CODE - WIC**

**DIVISION 9. PUBLIC SOCIAL SERVICES [10000 - 18999.98]** ( Division 9 added by Stats. 1965, Ch. 1784. )

**PART 3. AID AND MEDICAL ASSISTANCE [11000 - 15771]** ( Part 3 added by Stats. 1965, Ch. 1784. )

**CHAPTER 7. Basic Health Care [14000 - 14199.87]** ( Chapter 7 added by Stats. 1965, 2nd Ex. Sess., Ch. 4. )

**ARTICLE 5.17. Nondesignated Public Hospital Medi-Cal Rate Stabilization Act [14165.55 - 14165.57]** ( Article 5.17 added by Stats. 2011, Ch. 20, Sec. 2. )

**14165.55.** For the purposes of this article, the following definitions shall apply:

- (a) "Bad debt charges" means deductions from revenue for bad debt.
- (b) "Charity care charges" means deductions from revenue for charity care.
- (c) "Contract Hospital" means a nondesignated public hospital, which has a Medi-Cal fee-for-service contract negotiated by the California Medical Assistance Commission in effect as of December 31 of the applicable state fiscal year.
- (d) "Contract Hospital allocation" means the portion of the Nondesignated Public Hospital IGT Pool that is allocated to and transferred to the state by the transferring entity on behalf of the contract hospitals.
- (e) "Converted hospital" means a private hospital that becomes a designated public hospital or a nondesignated public hospital on or after July 1 of any state fiscal year, a nondesignated public hospital that becomes a private hospital or a designated public hospital on or after July 1 of any state fiscal year, or a designated public hospital that becomes a private hospital or a nondesignated public hospital on or after July 1 of any state fiscal year. A hospital shall be considered a converted hospital only for the fiscal year during which it became a converted hospital.
- (f) "Intergovernmental transfer (IGT)" means the transfer of public funds by the public entity to the state in accordance with the requirements of this section.
- (g) "Intergovernmental transfer allocation" or "IGT allocation" means the amount of the Nondesignated Public Hospital IGT Pool allocated to a nondesignated public hospital for a state fiscal year. Each transferring entity may agree to transfer its IGT allocation to the state in order to participate in the Nondesignated Public Hospital Intergovernmental Transfer Program in accordance with this section and Section 14164.
- (h) "Intergovernmental transfer formula group" or "IGT formula group" means any of the following groups:
  - (1) Contract Hospitals that have an IGT Formula Score of between seven and nine, inclusive.
  - (2) Contract Hospitals that have an IGT Formula Score of between four and six, inclusive.
  - (3) Contract Hospitals that have an IGT Formula Score of between one and three, inclusive.
  - (4) Non-Contract Hospitals that have an IGT Formula Score of between seven and nine, inclusive.
  - (5) Non-Contract Hospitals that have an IGT Formula Score of between four and six, inclusive.
  - (6) Non-Contract Hospitals that have an IGT Formula Score of between one and three, inclusive.
- (i) "New nondesignated hospital" means a hospital that was not in operation under current or prior ownership as a nondesignated public hospital for any portion of the calendar year prior to July 1 of any state fiscal year. A hospital shall be considered a new hospital only for the fiscal year during which it began operating.
- (j) "Non-Contract Hospital" means a nondesignated public hospital, which does not have a Medi-Cal fee-for-service contract negotiated by the California Medical Assistance Commission in effect as of December 31 of the applicable state fiscal year.

(k) "Non-Contract Hospital allocation" means the portion of the Nondesignated Public Hospital IGT Pool that is allocated to and transferred to the state by the transferring entity on behalf of the Non-Contract Hospitals.

(l) "Nondesignated public hospital" means either of the following:

(1) A public hospital that is licensed under subdivision (a) of Section 1250 of the Health and Safety Code, is not designated as a specialty hospital in the hospital's latest annual Office of Statewide Health Planning and Development (OSHPD) financial disclosure report for the hospital, and satisfies the definition in paragraph (25) of subdivision (a) of Section 14105.98, excluding designated public hospitals, as described in subdivision (d) of Section 14166.1 as that section may be amended from time to time.

(2) A tax-exempt nonprofit hospital that is licensed under subdivision (a) of Section 1250 of the Health and Safety Code, is not designated as a specialty hospital in the hospital's latest annual OSHPD financial disclosure report, is a hospital operated, owned, or both by a local health care district, and is affiliated with the health care district hospital owner by means of the district's status as the nonprofit corporation's sole corporate member.

(m) "Nondesignated Public Hospital Intergovernmental Transfer Pool" or "Nondesignated Public Hospital IGT Pool" means the pool of funds that will be utilized as the state's share of the aggregate payments funded by the transferring entity's intergovernmental transfers for a state fiscal year. This amount shall be calculated based on the room under the federal Upper Payment Limit (UPL) in the category of Non-State Government Owned Hospitals (Inpatient) which the department has determined is both attributable to the nondesignated public hospitals and available for the purposes of this article as determined by the department pursuant to Section 14165.56.

(n) "Public entity" means the transferring entity, which may be a city, county, special purpose district, or other governmental unit in the state, regardless of whether the unit of government is also a health care provider, except as prohibited by federal law.

(o) "Transferring entity" means a public entity that transfers public funds to the state in accordance with subdivision (f) of Section 14165.57 and is a public entity as defined in subdivision (n).

(p) "Upper payment limit" or "UPL" means the federal upper payment limit category as defined in Sections 447.272 and 447.321 of Title 42 of the Code of Federal Regulations for the amount of the Medicaid payments for which federal financial participation is available for a class of service and a class of health care providers.

*(Added by Stats. 2011, Ch. 20, Sec. 2. (AB 113) Effective April 13, 2011.)*

**14165.56.** (a) The department shall establish, implement, and maintain the Nondesignated Public Hospital Intergovernmental Transfer Program to provide supplemental payments to nondesignated public hospitals in a manner that maximizes federal financial participation in the resulting supplemental payments. The department shall develop and implement the program subject to receiving all federal approvals.

(b) Upon receiving federal approval, the department shall fully implement this section beginning with the 2010–11 fiscal year. The department shall perform all acts necessary to secure the maximum level of federal financial participation for payments resulting from the Nondesignated Public Hospital IGT Pool. The department shall make every effort to implement this section for the 2010–11 fiscal year so that all allocations will be determined, all intergovernmental transfers will be received by the state, and federal financial participation will be drawn in order for the department to make payments due to each nondesignated public hospital prior to July 1, 2011.

(c) By August 1 of each fiscal year, beginning with the 2011–12 fiscal year and every year thereafter, the department shall provide an estimate of the Non-State Government Owned Hospital (Inpatient) UPL associated with the inpatient fee-for-service payments to nondesignated public hospitals in order to establish both the UPL and the available room under the UPL. The department may make supplemental inpatient fee-for-service payments to nondesignated public hospitals using some or all of the shortfall level below the UPL. The amount identified by the department as available for those payments shall be multiplied by 100 percent minus the annual federal medical assistance percentage, as defined in Part 433 of Title 42 of the Code of Federal Regulations and shall be the amount available in the Nondesignated Public Hospital Intergovernmental Transfer Pool. The payments made pursuant to this article may be funded using public entity intergovernmental transfers and associated federal financial participation.

(d) Once the department has estimated the UPL and the potential supplemental payment relating to nondesignated public hospitals, the department shall use the IGT allocation formula described in Section 14165.57 to determine the estimated IGT allocation for each nondesignated public hospital from the Nondesignated Public Hospital IGT Pool using the most recent data publicly available from the federal Centers for Medicare and Medicaid Services (CMS), and the federal Health Resources and Services Administration (HRSA).

*(Amended by Stats. 2012, Ch. 162, Sec. 217. (SB 1171) Effective January 1, 2013.)*

**14165.57.** (a) The IGT allocation formula shall use data from each nondesignated public hospital's latest Hospital Annual Financial Disclosure Report on file with OSHPD as of March 1 of each prior fiscal year and shall be as follows:

(1) The Nondesignated Public Hospital IGT Pool shall be allocated into two allocations: the Contract Hospitals allocation and the Non-Contract Hospitals allocation. This allocation shall be made to each group, respectively, based upon the ratio of Medi-Cal fee-for-service acute patient days listed in the latest OSHPD Annual Financial Disclosure Report for Contract Hospitals and Non-Contract Hospitals to the total Medi-Cal fee-for-service acute patient days provided by all Contract Hospitals and Non-Contract Hospitals. Medi-Cal fee-for-service acute patient days for converted hospitals and new hospitals will not be included in this allocation.

(2) The department shall determine if a nondesignated public hospital provides services in either a federally recognized Health Professional Shortage Area or to a federally recognized Medically Underserved Area or Population. The department shall also determine if the nondesignated public hospital is federally recognized as either a Critical Access Hospital or a Sole Community Provider. If any of these conditions apply, the hospital shall score one point. Otherwise, the hospital shall score zero points.

(3) The department shall calculate for each nondesignated public hospital the charity care charges as a percentage of the hospital's total gross revenue. If the charity care charges are greater than or equal to 3 percent of the total gross revenue, the hospital shall score three points. If the charity care charges are less than 3 percent, but more than or equal to 1 percent, of the total gross revenue, the hospital shall score two points. If the charity care charges are less than 1 percent, but greater than 0 percent, of the total gross revenue, the hospital shall score one point. If charity care charges are less than or equal to 0 percent, of the total gross revenue, the hospital shall score zero points.

(4) The department shall calculate for each nondesignated public hospital the bad debt charges as a percentage of the hospital's other payer's gross revenue, as disclosed in the Hospital Annual Financial Disclosure Report. If the bad debt charges are greater than or equal to 40 percent of the other gross revenue, the hospital shall score two points. If the bad debt charges are less than 40 percent, but greater than 0 percent, of the other gross revenue, the hospital shall score one point. If the bad debt charges are less than or equal to 0 percent, of the other gross revenue, the hospital shall score zero points.

(5) The department shall calculate for each nondesignated public hospital the Medi-Cal charges as a percentage of the hospital's total gross revenue. If the Medi-Cal charges are greater than or equal to 25 percent of the total gross revenue, the hospital shall score three points. If the Medi-Cal charges are less than 25 percent, but more than or equal to 12 percent, of the total gross revenue, the hospital shall score two points. If the Medi-Cal charges are less than 12 percent, but greater than 0 percent, of the total gross revenue, the hospital shall score one point. If the Medi-Cal charges are less than or equal to 0 percent of total gross revenue, the hospital shall score zero points.

(6) The sum of each nondesignated public hospital's points accumulated pursuant to paragraphs (2) to (5), inclusive, shall constitute the hospital's IGT Formula Score. The IGT Formula Score for a new hospital or a converted hospital shall be equal to zero.

(7) The Contract Hospital allocation shall be allocated among Contract Hospitals and the Non-Contract Hospital allocation shall be allocated among Non-Contract Hospitals to determine preliminary allocations in accordance with the following:

(A) Each Contract Hospital that has an IGT Formula Score of between seven and nine, inclusive, shall be allocated three times the amount of the Contract Hospital allocation that is allocated to each Contract Hospital that has a score of one to three, inclusive.

(B) Each Contract Hospital that has an IGT Formula Score of between four and six, inclusive, shall be allocated two times the amount of the Contract Hospital allocation that is allocated to each Contract Hospital that has an IGT Formula Score of one to three, inclusive.

(C) Each Non-Contract Hospital that has an IGT Formula Score of between seven and nine, inclusive, shall be allocated three times the amount of the Non-Contract Hospital allocation that is allocated to each Non-Contract Hospital that has an IGT Formula Score of one to three, inclusive.

(D) Each Non-Contract Hospital that has an IGT Formula Score of between four and six, inclusive, shall be allocated two times the amount of the Non-Contract Hospital allocation that is allocated to each Non-Contract Hospital that has an IGT Formula Score of one to three, inclusive.

(E) No amount shall be allocated to a nondesignated public hospital with an IGT Formula Score of zero points.

(8) The sum of the preliminary allocation determined under paragraph (7) for all hospitals within each IGT Formula Group shall be reallocated among the hospitals within each IGT Formula Group based on the ratio of each hospital's staffed acute beds listed in the latest OSHPD Annual Financial Disclosure Report, to the total staffed acute beds of all hospitals in the IGT Formula Group.

(b) By no later than September 1 of the 2011–12 fiscal year or as soon thereafter as federal approvals are obtained, and by no later than September 1 of each fiscal year thereafter, the department shall provide each nondesignated public hospital with an estimated

IGT allocation notice that includes the calculations and data sources used to calculate the estimated IGT allocation, as described in this section.

(c) Each nondesignated public hospital shall have 30 days from receipt of the estimated IGT allocation notice from the department to review the department's hospital-specific estimated IGT allocation and to notify the department of any data or calculation errors. If the hospital does not respond within 30 days, the information will be deemed accurate. No later than November 30 of each fiscal year, the department shall incorporate all appropriate corrections or data updates for all of the nondesignated public hospitals and then recalculate the IGT allocations using the IGT allocation formula to obtain a final IGT allocation for each nondesignated public hospital.

(d) Beginning with the 2011–12 fiscal year, on or before December 1 or as soon thereafter as federal approvals are obtained, and by no later than December 1 of each fiscal year thereafter, the department shall send each nondesignated public hospital a notice of eligibility indicating the final IGT allocation for the nondesignated public hospital. The nondesignated public hospital shall have 20 business days after receipt of the notice to either accept or decline the offer. If a nondesignated public hospital accepts the offer, the nondesignated public hospital may enter into an IGT agreement with the department. If the department receives no response, the offer will be considered declined.

(e) Before the later of December 31 of the 2011–12 fiscal year, the date upon which all federal approvals are obtained, and by no later than January 15 of each state fiscal year thereafter, the department shall document all nondesignated public hospital IGT allocation offers that are either accepted or declined. After the department has recorded all IGT allocations as being either accepted or declined, any remaining unsubscribed IGT allocations will be allocated to all the other participating nondesignated public hospitals on a pro rata basis based on the final IGT allocations calculated pursuant to subdivision (b) during January of each fiscal year. The department shall inform each nondesignated public hospital participating in the program of the revised final IGT allocation assigned to that hospital by January 30. At that time, the department shall give each nondesignated public hospital participant five days to accept or decline participation in the program.

(f) The state may accept all public funds in the amount of the final IGT allocation from a transferring entity pursuant to this section, provided that any funds from a transferring entity must be permitted by law to be used for these purposes. The transferring entity shall certify to the department that the funds it proposes to transfer satisfy the requirements of this subdivision, and are in compliance with all federal rules and regulations.

(g) The state shall deposit the funds received from the transferring entities pursuant to this article into the Medi-Cal Inpatient Payment Adjustment Fund established in accordance with Section 14163.

(h) Nondesignated public hospitals participating in the program shall inform the public entity funding the IGT to transfer the appropriate IGT allocation, by February 5 of each fiscal year, to the state according to the time schedule specified in the written agreement specified in subdivision (d). By March 31 of each fiscal year, the department shall make the supplemental payment to the nondesignated public hospital including the associated federal financial participation. The deadlines set forth in this subdivision shall be implemented beginning with the 2011–12 fiscal year or as soon thereafter as federal approvals are obtained.

(i) The department shall establish written policies and procedures for transferring entity intergovernmental transfers and payments made to nondesignated public hospitals pursuant to this section. The department shall effectively communicate these policies and procedures to nondesignated public hospitals and the public entities that will be funding the IGTs in order to facilitate a smooth process using local public entity moneys for purposes of drawing down federal financial participation for supplemental payments to nondesignated public hospitals.

(j) (1) A nondesignated public hospital participating in the program, as a condition of receiving supplemental payment pursuant to this section, shall reimburse the department for the costs of administering this section.

(2) For each fiscal year up to and including the 2025–26 fiscal year, the state shall retain 9 percent of each IGT amount to reimburse the department, or transfer to the General Fund, for the administrative costs of operating the Nondesignated Public Hospital Intergovernmental Transfer Program and for the benefit of Medi-Cal children's health care programs.

(3) (A) Beginning with the 2026–27 fiscal year and every fiscal year thereafter, the state shall retain a percentage of each IGT amount associated with interim supplemental payments such that the total amount retained is equal to the projected administrative cost to the department associated with implementing this section. The department shall project the administrative cost associated with implementing this section each fiscal year in order to determine the percentage of each IGT associated with interim supplemental payments to be retained. That calculation shall account for any excess funds remaining from a prior fiscal year.

(B) It is the intent of the Legislature in enacting the changes to this section made by the act that added this paragraph to provide the supplement payment described in this section without any expenditure from the General Fund, beginning with the 2026–27 fiscal year and every fiscal year thereafter.

(k) Participation in the intergovernmental transfers under this article is voluntary on the part of the transferring entities for the purpose of all applicable federal laws.

(l) (1) The department shall report annually to the Legislature on the Nondesignated Public Hospital Intergovernmental Transfer Program. This report shall include, but not be limited to, the amount of funds available within the UPL, the total amount of IGT allocation funds transferred by public entities, the total amount of federal financial participation received by nondesignated public hospitals, and information on the effectiveness of the IGT allocation formula to distribute available federal matching funds among participating nondesignated public hospitals.

(2) The requirement for submitting a report to the Legislature on the Nondesignated Public Hospital Intergovernmental Transfer Program imposed under paragraph (1) is inoperative four years after the date the first report is due.

(3) A report to be submitted pursuant to paragraph (1) shall be submitted in compliance with Section 9795 of the Government Code.

(m) Notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, the department shall implement this article by means of policy letters or similar instructions, without taking further regulatory action.

*(Amended by Stats. 2025, Ch. 21, Sec. 110. (AB 116) Effective June 30, 2025.)*